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CZECHOSLOVAKIA BETWEEN EAST AND
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FOREIGN TRADE OF CZECHOSLOVAKIA (1947)

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CZECHOSLOVAKIA
BETWEEN
EAST AND WEST

BY
WILLIAM DIAMOND

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PREFACE

SINCE the end of the war in Europe and the end of the grand alliance against Germany, two shibboleths have been current throughout the world.

The first and most serious is that the One World of the war years was an idealist's dream self-induced by the necessity of alliance at that time, and that the world to-day is characterised not by unity and unanimity of objective, but by an unbridgeable gulf between two ways of life and two modes of thought. The poles most frequently discussed to-day are not geographical points, but rather the United States and the Soviet Union, around whom, on an international plane, nations tend to congregate and to which, within those nations in which the war produced political and social upheavals, social classes pay at least lip service. In the United States, Great Britain, and the 'West' wherever it is, the new world struggle is said to be between democracy and totalitarianism, between regimentation and personal freedom. To the publicists of the so-called 'East,' the irreconcilable conflict is identified as the struggle between bourgeois or liberal democracy and socialist or people's democracy, between capitalist reaction and socialist progressivism.

The name-throwing and the universal preoccupation with the imminence of the impending crisis have only been enhanced by atomic hysteria. They have their origin in the social uncertainties and economic problems which characterise almost every nation in the world. The countries which only recently emerged from the shadow of fascism found that the war (like all wars) released social forces which many people did not anticipate and which required revolutionary changes and adjustments in the standards and methods of living to which they had been accustomed. It is natural that in the short time since the end of the war, those adjustments have not been entirely made and that the groups benefiting from and supporting

the changes should fear for their permanence, while the groups opposing them should continue trying to revert to the society they once knew. The nations which were fortunate enough to escape invasion or physical damage also feel themselves on shaky ground, for not only were they affected by the new political pattern of Europe and its emerging social system. They too did not escape the social impact of the war. Though the social forces released in Central Europe were less forceful in the 'West,' they were none the less released, for a fundamental truth about the Second World War is that it was a social as well as a national war. The latter came to a close with the collapse of Germany; the former simply came into the open. And with the simultaneous end of the intranational social truce and the international alliance against Germany, One World seemed to be transformed from hope to illusion.

The second widespread cliché is that 'Europe is dead,' that the culture of the continent which produced the ideas and the social forces that made the modern world has declined in proportion to the collapse of its physical plant. This shibboleth is particularly current in America and among Americans. Among Europeans, who must continue living in the shambles that remain to them, the same cliché is the everyday expression of those classes which have been deprived of prestige, position and property by post-war social upheavals.

That Europe is a physical shambles, there is little doubt. Nor is there much doubt that among Europeans generally, and among certain classes in particular, there has been a collapse of morale. There is equally little doubt that the culture of the Soviet Union is different from that of the United States, as if by magnetic attraction, those two great nations have drawn to themselves people and nations, and have so divided the world into potentially warring camps. To the hysterical, it has at times seemed only a short step from diplomacy to war.

While all this is true, preoccupation with the polarity of the world has obscured the facts, first that there are areas of agreement between the apparent irreconcilables, and second that in some places domestic problems are being solved in a manner which represents a middle course between the panaceas provided by the two poles: not a neutral position above the conflict, but a method of peacefully adjusting to the new situation in Europe and of riding revolutionary forces to their conclusion, while still maintaining a respect for the dignity and

the rights of man. To find such a half-way house is in effect to make the best of two possible worlds, to deny that there are only two possible worlds, and to assert that at least a third and compromise world is practicable.

The significance of the effort to move in the direction of socialism by democratic means must be obvious to anyone who is concerned with the broad gulf that does separate America from the Soviet Union. Its success would mean that the great struggle is not irreconcilable, and it would be a guide to other nations to a way of assuaging the strains in their own societies. So important is such an experiment, that not only must it be watched carefully for the lessons it teaches, but it also should be fostered so that such non-essentials as suspicion and distrust do not ruin it before its results are known. The mere fact that the experiment, whether or not it is successful, is being made in Europe is proof enough that the second cliché, that Europe is dead, is not valid; for only a Europe still groping forward—still generating new ideas—could make the effort that is required.

In Czechoslovakia, deep in the heart of Europe, surrounded by hitherto unparalleled physical destruction and personal suffering, situated precisely on the European boundary of the spheres of attraction of the two poles, an effort is being made to reconcile the two worlds. That Czechoslovakia is to-day an oasis in the desert of Central Europe, is reason enough to examine it. That it is the only nation in Central Europe which, within the limits available to a nation of only 12 million people, is master of its own destiny, makes it important to study the situation that has made this fact possible. Above all, its effort to move from the liberal democracy it knew before the war to the democratic socialism which has become its goal, is worth the closest attention of that majority of people who are concerned less with ideologies than with making a living in a society which allows them the fullest opportunity for the expression of their individuality. That, after all, is the aim of modern men. Reduced to those lowest terms, it is equally accepted by Right and Left, by the whole spectrum of political opinion, by all but the most cynical social elites.

Words and ideas are powerful weapons, especially in the twentieth century when mass support is required for any social movement and when the techniques of repetition of words and ideas are so highly

developed and can be controlled by so few people. Unfortunately little effort is made to distinguish between a word or an idea and the thing it represents, with the result that in the war of ideologies such potent words as 'democracy,' 'freedom,' 'revolution,' 'socialism,' are used by both sides to promote misunderstanding and to stir people against each other. The semantic confusion is complicated and enhanced because too few people remember that the same word can stand for different things to different peoples, who live in different societies with different historical traditions, and even to different individuals living in the same society. Understanding is possible only when one goes beneath the symbols to their meanings, and examines them in their historical context. It is in the bright light of such analysis that the Czechoslovak experience should be studied, rather than in the morass of tendentious expletives.

In the following chapters of this book, certain developments in the political structure and economy of post-war Czechoslovakia have been examined. It is not a study of the whole of Czechoslovak society, but of those aspects which are relevant to the proposition that this country is trying peacefully to satisfy the social demands of great masses of people in a democratic framework; of the factors which have led the Government to make the decisions it has made; and of the problems the country still faces in carrying them out.

No honest observer can yet say that the Czechoslovak economic and social policy has succeeded, for success depends on the development of a variety of both domestic and international situations. In the light of conditions in the Spring of 1947, I must be frank to^{*} confess that I both hope and think the effort will succeed. This judgment and wish are based partly on the faith that a sufficient number of people will see through the war of words to the social realities that lie naked beneath them; partly on the conviction that the Czechoslovak Government, whether by study or by intuition, have correctly gauged the social trends of the twentieth century; partly on the vigour, enthusiasm and single-mindedness with which the Czechs, despite the *Schlumperei* of which they can so often be justly accused, have set to work to build themselves a happier and more abundant life.

WILLIAM DIAMOND.

PARIS

May 1, 1947

PART ONE

CHAPTER 1

THE NATIONAL FRONT GOVERNMENT

THE basic statement of principles to which the post-war Czechoslovak Government professes constant allegiance, is the Kosice Programme. Drawn up in the Slovak town in which the Government first set foot when it returned home in April, 1945, after more than six years of German occupation, the Kosice Programme has remained, not a precise blueprint for the future, but a statement of general principles which all political parties accept and to which all Government measures or plans for action are referred. It was a vague and eclectic document, capable of a broad range of interpretations, designed beyond doubt to assure internal unity for the remaining period of the war as well as for the period of reconstruction that would follow. Though it was a call to arms and a series of compromises, the Kosice Programme did forecast the shape of things to come in the new Republic and indicated the lines along which internal political conflict might one day break out. It is, therefore, worth examining in detail.

The concern of the Kosice Programme with achieving at least a minimum degree of national unity between the various political and social groups of the country was voiced in its opening statement: that 'the new government will be a government of the broad national front of Czechs and Slovaks, and it will contain representatives of all social elements and political directions which at home and abroad lead the struggle for national liberation against German and Magyar tyranny.' By promising a coalition government of all the loyal elements of the State, the Programme sought to speed up internal resistance and at the same time to assure future political co-operation and stability.

The first part of the Kosice Programme concerned the activities of the Government during the remainder of the war and is, therefore, irrelevant to post-war conditions, except insofar as its comments on the future organisation of the Czechoslovak Army were indicative of the new close alliance between Czechoslovakia and the Soviet Union. It provided for the democratisation and political education of the army, the borrowing of Red Army experts and instructors for Czechoslovak military schools, the exchange of student officers between the two countries, and the absorption of Czech and Slovak partisan units into the Regular Army.

The second part of the Programme laid down the principles according to which a government would ultimately be elected by free and secret ballot. It provided for the election of a Provisional National Assembly, not by the population as a whole, but by "national committees." The function of the Provisional National Assembly was to confirm the position of the President and to prepare for the popular election of a Constituent National Assembly. That Assembly in turn was to write a new Constitution for the Republic.

The Programme confirmed the political rights of Czechoslovak citizens, and, on the principle that 'the people is the only source of power in a State,' promised to safeguard them by broadening the foundations of public administration. Criticising the pre-war political system of Czechoslovakia on the ground that the gulf between government and people was too great, it promised to vest local administration in national committees to be elected in all communities of the country. These committees were to be the new organs of State and public administration. In addition to direct participation of the people in administration and public affairs through the national committees, the population was promised full right to assemble in voluntary organisations and to exercise its political rights. Equality of the sexes was proclaimed and 'constitutional rights and privileges, especially personal liberty, freedom of assembly and association, freedom to express opinions in words or writing, freedom of movement, postal freedom, and the freedom of learning, conscience, and religion' were fully guaranteed.

The Kosice Programme stated expressly that the new Republic was to be a State combining the two separate nations of Czechs and Slovaks, who had joined each other voluntarily out of a community of interest. Slovaks were acknowledged to have the right to

be the masters in their own lands just as the Czechs were to be masters in the Czech lands, while the Republic as a whole was to be considered a common State of the two nations enjoying equal rights. The Slovak National Council, based on the support of national committees in Slovakia, was accepted as the 'rightful representative of the individual Slovak Nation,' and 'the bearer of sovereign right on Slovak territory.' The Central Government was destined to carry out only common State functions, and even then only in collaboration with the Slovak National Council acting as the executive organ of the Government in Slovakia. The precise line of demarcation between the functions of the Central Government and its Slovak counterpart was left for future determination. Representation in public service was guaranteed to Slovaks in proportion to their population in the State. Provision was also made for the establishment of separate Slovak national military units within the framework of the Czechoslovak Army.

The Kosice Programme was particularly energetic in calling for the expulsion of the German and Magyar minorities from Czechoslovakia. Departing from its pre-war tradition as a State of many nationalities, the new Czechoslovakia was to be a national State of Slavs. Citizens of German and Magyar origin were to be expelled unless they had definite records of anti-fascist activity, or in the period following the Munich settlement had been persecuted and imprisoned for acts of resistance and loyalty to the Czechoslovak Republic, or had gone into exile before the occupation and had thereafter participated actively in the war. The Programme was equally vigorous in its promise to prosecute Czechs and Slovaks who had collaborated with the occupation Government. Special provisions were made for the establishment of extraordinary courts which would try war criminals and Czech and Slovak collaborators. The heads of the puppet Czech and Slovak governments were particularly singled out for prosecution, as well as the leaders of specific pro-fascist organisations. Included in the latter category were such pre-war political parties as the Czech Agrarian Party and the Traders' Party and the Slovak People's Party.

Specific measures were promised to undo the laws, particularly those affecting property, put into effect during the occupation. Property belonging to Germans and Hungarians was immediately to be seized and placed under national administration. The same action

was to be taken with the property of Czechoslovak citizens who had collaborated with the enemy. The joint-stock companies controlled by such persons were to be treated similarly. Property subject to seizure, but belonging to people with anti-fascist records or with records of persecution by occupying authorities, was to be returned to its former owners after individual examination of the cases by appropriate national committees.

Announcing the Government's intention to carry through a new land reform, the Kosice Programme accepted the action already taken by the Slovak National Council in confiscating land owned by Magyars and traitors of the Republic and approved the division of the confiscated land among small farmers. These measures were to be applied to the rest of the Republic. The confiscation was to be carried out by local national committees and by agricultural commissions which would administer the confiscated properties until regulations had been enacted concerning their distribution among small farmers and farm labourers, with preference to those who had participated in the war as partisans, soldiers, members of the resistance movement, or victims of the German terror. Co-operatives for the use of small farmers could be formed out of the buildings of the distributed properties. The new owners, who would receive full property rights, were expected to pay only a nominal sum, varying with the quality of the soil they obtained, and over a long period of time.

On the level of the national economy, the Kosice Programme called for the swift recovery of production. It promised speedy repair of damaged enterprises and machinery, the mobilisation of existing raw material supplies and their adequate distribution, and the renewal of postal and utility activities. It pledged the Government to give aid to farmers, tradesmen, and workers in the reconstruction of damaged homes and buildings, and to carry out the reconstruction and repair of damaged public facilities. It promised 'to support the private initiative of employers, tradesmen, and other producers by granting them loans and raw materials, placing orders with them, and guaranteeing the disposal of their finished goods.'

It promised to appoint only experienced and qualified persons as administrators of confiscated property and 'to support the revival and extension of solid, private and co-operative trade by the granting of loans, the furnishing of goods, and the stopping of speculation

of all kinds.' Finally, the Kosice Programme pledged the Government 'to place the entire financial and loan system, the key industries, the insurance system, and all sources of power, under general government control, and to place them thus at the disposal of economic reconstruction and the revival of production and commerce'

The Kosice Programme carried a firm promise 'to lay the foundations of a comprehensive social policy, caring for all sectors of the working population of towns and countries within the framework of an intensified war effort and the reconstruction and extension of the national economic system.' It assured equality of wages between men and women ; it promised that hours, wages, and working conditions would be safeguarded by collective agreements and by law and that the system of social insurance would be extended. Workers were acknowledged to have the right voluntarily to join trade unions and freely to elect their own representatives. The unions and the workers' committees in the factories were to be the legal representatives of employees in their relations with private employers and public authorities on all questions regarding wages, work and social policy.

Finally, the Programme pledged the Government to an active programme of education and cultural activity. German and Hungarian influence was to be wiped out of schools and universities. Special schools for occupational training were to be established, as well as an independent Slovak university at Bratislava. The Slavonic orientation of Czechoslovakia was to be confirmed in the educational system. A Slavonic Institute to encourage study and cultural intercourse between Czechoslovakia and the other Slav nations would be set up. All anti-Bolshevik remarks were to be expunged from Czechoslovak text-books; the study of the Russian language was to be encouraged; chairs for the study of Russian history and institutions were to be established; and exchanges of both students and professors were to be made between the two countries.

A major part of the Kosice Programme was devoted to outlining the principles of the post-war foreign policy of Czechoslovakia. The cornerstone of the 'new policy is the alliance of the State with the Soviet Union, and the determination to carry out vigorously a pan-Slavic policy in Eastern Europe. . . . The Czechoslovak-Soviet treaty of mutual aid, friendship, and post-war co-operation, made on December 12, 1943, will determine the position of our State in foreign

politics for the future.' The Programme pledged the Government 'to place Czechoslovakia side by side with the Soviet Union' in 'the drawing of the new frontiers and in the organisation of future peace.' The Government also promised 'to pursue the Slav policy in its foreign relations. The Government will set this main direction of Czechoslovak foreign policy, born of the spirit of Slav friendship and a wider basis of general friendly relations to the Democratic Western Powers.' The corollary of this pledge for a Slav policy was the expression of a desire to strengthen relations with new governments of Poland, Yugoslavia, and Bulgaria. The Programme also called for the strengthening of friendly relations with Great Britain, America and France, and pledged the country to play an active part 'in the establishment of a new order in Liberated Democratic Europe.'

The Programme closed with an appeal to the entire population to work, and at the same time promised the population that the Government 'will fulfil its accepted programme according to its best ability and conscience, and that it will always and everywhere be directed by the interests of our nations and of our Republic, and that it will not permit the exploiting interests of parasitic individuals and groups to come before the interests of the working people in town and countryside in the Liberated Republic.'

Although in the course of the political development of the following year, the Kosice Programme was to be used in different ways by different political parties, several principles were unmistakably expressed in it. When differences were to arise, they were to be less in principle than in interpretation and on the length to which a particular promise was to be carried. Those unmistakable policies, on which opinion was united, give the tone and the meaning of the Kosice Programme :

1. The relation between Czechs and Slovaks would be that of separate nations joined in common interest in a single State.
2. That State would be a Slav State. There would be no privileged national minorities, all members of which must be expelled.
3. Public administration would be made more popular in the sense that authority would be decentralised and active participation by citizens in local government would be increased.

4. Civil and political liberties would be denied to those considered traitors of the State.
5. Any citizen tainted with fascism or collaboration would be prosecuted
6. Since collaboration and property were closely related, it was necessary to strike at the basis of fascism by confiscating the property, not only of Germans and Magyars, but of Czechoslovak traitors as well.
7. Since a strong peasant base is a healthy foundation for a state, land ownership must remain private. That base would be broadened by the division of confiscated lands among small holders.
8. Industrial and financial property would not be left in private hands, but depending on its size and its social importance, would be divided among public, private, and co-operative ownership.
9. The role of government in economy would be expanded into the fields of ownership and regulation, and government planning would become a characteristic of the national economy.
10. A far-reaching educational and social programme would be undertaken.
11. The foreign policy of Czechoslovakia, once anchored to France, would be reoriented to the Soviet Union, which henceforth would be its guide and support. That policy would be strengthened by closer intellectual and economic ties between the two States.
12. The Government of Czechoslovakia would be a coalition of all loyal political parties.

Not all these policies and intentions were specifically stated, but they were all implicit. Indeed it may be said that the degree of unanimity on these principles was reflected in the specific detail with which they were discussed. What meaning those which were stated vaguely and which left broad areas for interpretation would have in the future, how vigorously they would be pursued or how much neglected, would depend on the future interplay of political forces. For the moment they were meant to provide a basis of political co-operation in support of which all the political and social elements of the State could rally.

The post-war political stability of Czechoslovakia is in large part

possible conflict was that the parties were able to meet and draw up a single programme while the war was still being fought. Unity against the Germans, the occasion for war-time coalitions everywhere in Europe, was still the first essential when the Kosice Programme was written; rifts in coalitions appeared and grew when the German power had collapsed and the construction of new states began.

By common agreement, no new parties could organise without the consent of the National Front. Such a decision was a denial of one of the tenets of democracy which the National Front Government pledged itself to uphold, but the decision was based on several factors of equal importance to it. The first and most basic was that no political organisation could be allowed to Germans and Hungarians whose parties, before the war, had provided an excuse for fascist expansion and revisionism in the Sudetenland and in Slovakia and had been centres of infection for undermining the Czechoslovak State. Similarly, native parties which had supported fascism at home and abroad or had been willing to do business with it, could not be allowed to reorganise. The second principle was that, though the war was over, another kind of national emergency existed—economic and social disorder—for the solution of which a concentration of all the political forces of the country was necessary. Finally, it had been generally agreed that the pre-war tendency towards a multiplicity of parties, sometimes exceeding thirty, was a weakness of the Czechoslovak political system. During the war President Benes himself had suggested a reduction in their number and had recommended that new ones be allowed to form only with the consent of some such constitutional body as the National Assembly. Experience has shown that a system of parties representing broad coalitions of interests from many areas and cutting across class lines, is politically more stable than a large number of parties based on regional, class or economic interest.

The result was that, while some opposition to the liberation Government undoubtedly existed, it could have no organised political existence and could be expressed only within the six parties and within the framework of the National Front.

At the outset the National Front Government explicitly recognised that its programme was limited in time. It had pledged itself in the Kosice Programme to arrange for the election of a Provisional National Assembly which would confirm the position of President

Benes until the next regular election and would lay down regulations for the election of a Constituent National Assembly by direct secret ballot within the shortest possible time.

In October, 1945, the Provisional Assembly was elected, its membership having been settled in advance by agreement among the parties of the National Front. It had been chosen indirectly by electors chosen, not by the people, but by the revolutionary local national committees which sprang up in the last days of the war under directives from the emigré Government for the double purpose of providing a nucleus for the underground resistance in Czechoslovakia and of taking over the tasks of local administration when the Protectorate Government collapsed.

The legislative power of the Provisional Assembly was largely illusory. Since its composition was decided in advance by the National Front, its legislative power meant little more than that proposals of the Government were discussed in the Assembly and had formal legislative sanction before they became law. The revolutionary economic and social programme launched by the Government under presidential decree in the summer of 1945 was confirmed by the Assembly *in toto*. It included a far-reaching land-reform, the nationalisation of all banks, insurance companies and joint-stock companies, the nationalisation of all basic and potential war industries and of a large proportion of other industries, and measures providing for the participation of labour in the management of industry. For the rest, the most important function of the Provisional Assembly was the preparation of the election of a Constituent National Assembly.

There were two significant developments in Czechoslovak politics during the Spring of 1946. The National Front agreed to the establishment of two new parties in Slovakia. This change resulted partly from the efforts of the Czech parties to penetrate into Slovakia. More important was the fact that both the Slovak Communist and the Slovak Democratic Parties were in themselves coalitions, and divergent views in each of the parties had proceeded to the breaking point. Within the Democratic Party especially, its predominantly Protestant leadership led to efforts by the Catholics to set up a party for themselves, despite the belated efforts of the Democrats to give more prominence to Catholics in the organisation of the Party. The upshot was the organisation of a Slovak Labour Party, corresponding roughly to the Czech Social Democrats (in September, 1946 the

Party's name was changed to the Slovak Social Democratic Party) and of a Slovak Freedom Party, consisting primarily of Catholics who thought they did not have sufficient voice in the Slovak Democratic Party. These new parties, of course, adopted the Kosice Programme.

The second development was the bitter debate over whether to allow a vote to those who opposed the National Front. Everyone was acutely aware of the potential influence of the pre-war reactionary parties, especially the Agrarian Party, which had pooled the power of the Czechoslovak land-owners and of the banks and industrial capital, and the fascist Slovak People's Party, which had been the voice of Slovak separatism. Since voting is compulsory in Czechoslovakia (under penalty of imprisonment or fine), the remaining strength of those parties would seemingly have gone to support the more conservative parties of the National Front. The Government, therefore, under the influence of the Communists and Social Democrats, introduced a bill providing for a so-called 'white ballot,' which allowed a citizen to cast a ballot without voting for any particular party and therefore representing dissatisfaction with the National Front. The Czech National Socialist and People's Parties and the Slovak Democratic Party objected vigorously, ostensibly on the grounds that no one should be permitted to vote against the National Front, but in reality because the possibility of a white ballot might reduce the number of votes they could expect to receive from the remnants of the outlawed parties. For weeks the debate raged, both in the Assembly and in the press, until the measure was finally carried by the close vote of 155 to 131. This was the first division in voting in the Assembly since it convened in October. It was a division on strict party lines and foreshadowed the future division of the Assembly.

It was agreed in advance that the National Front Government would continue after the election, but instead of containing equal representation of all parties, its membership would be proportionate to the composition of the newly elected Assembly. The parties also agreed that the election campaign should be waged on a relatively high level. Action did not quite suit the pledge. Debate in the Assembly and the press was frequently bitter. The Communist Minister of Interior was accused of gerrymandering. There was criticism of the system by which a person might be deleted from the

list of eligible voters if he was accused of collaboration by his neighbour. There were accusations that food, the distribution of which is controlled by the Czechoslovak Government, was being used politically. Many serious measures of the Government were held up pending the results of the election. Businessmen and manufacturers slowed up work or froze their capital (whether from fear or sabotage, is uncertain) pending the outcome.

The results of the election¹ were a surprise only to wishful thinkers, both foreign and domestic, whose interests (either material or social) were threatened by the new trends of economic policy or who saw in a left-wing government the heavy hand of the Soviet Union. No doubt has been cast on the validity of the election. That it was free and that citizens voted without undue pressure, have not been denied by any competent observer. The parties of the Left won a majority. The Communists alone polled 38 per cent. of the votes, more than twice as many as their nearest competitor, the National Socialist Party.

Czechoslovakia's system of proportional representation made the National Assembly a precise mirror of the ballot box. In a National Assembly of 300 seats, the Communist Party won 114²; and together with the Social Democratic Party, with which it ordinarily acted in unison during the first year and a half after liberation it commanded a small majority. The 300 seats in the Assembly were divided as follows:

Czech Communist Party	93
Czech People's (Catholic) Party	46
Czech Social Democratic Party	37
Czech National Socialist Party	55
<hr/>	
Total Czech seats	231
Slovak Labour Party	2
Slovak Democratic Party	43
Slovak Communist Party	21
Slovak Freedom Party	3
<hr/>	
Total Slovak seats	69

¹ See Appendices, p. 239

² The Slovak and Czech Communist Parties will hereafter be considered together and will be called simply the Communist Party

The party pattern of the Assembly did not, however, indicate the real political divisions. The pre-election tendency of the Assembly to divide into two blocs not only continued, but sharpened after the election. It was expressed in the first meeting of the Assembly on the issue of electing a temporary Speaker. Contrary to plan, party agreement on the Speaker could not be reached in advance, with the result that the Communist candidate was elected with precisely 153 votes against 142 for the National Socialist candidate. The 153 votes represented the maximum strength of the marxist socialist bloc in the Assembly. The meaning of this breach will be discussed in the following chapters.

A week after the election, a new Government was appointed. Klement Gottwald, chairman of the Communist Party, became Prime Minister, and the leaders of five parties (the Labour and Freedom Parties of Slovakia, which had obtained less than one per cent. of the vote, were excluded) were appointed Deputy Prime Ministers. The various Ministries were apportioned among the six parties.

Non-Party (2) : Foreign Affairs, National Defence.

Communist (7) : Interior, Finance, Information, Internal Trade, Agriculture, Labour and Social Welfare, and a Minister of State for Foreign Affairs.

National Socialist (3) : Foreign Trade, Education, Justice.

Social Democratic (2) : Industry, Food.

Slovak Democratic (3) : Transport, a Minister of State for National Defence, and a Minister without portfolio (later Unification of Laws).

People's Party (3) : Post, Telephone and Telegraph, Health, and a Minister without portfolio (later Technique).

The Prime Minister presented the programme of his Government to the National Assembly on July 8. Although it could be deduced from the Kosice Programme, it is not surprising that it followed more closely the programme of the Communist Party. Declaring that the purpose of his Government was to assure constitutionally the results of the first year of liberation and to foster the reconstruction of the Republic in the spirit of the Kosice Programme, the Prime Minister presented the following principles of policy :

1. The first task of the Constituent National Assembly was to write a new Constitution, which would combine the democratic

principles of the present Constitution with the economic and political lessons learned in the past twenty-five years.

2. The second task of the Assembly was to enact a Two-Year Plan for the Reconstruction of the Republic. The purpose of the Plan was to raise production 10 per cent beyond its pre-war level by the end of 1948 and to assure a corresponding rise in the general standard of living.

3. The fulfilment of the Two-Year Plan would require a variety of measures. Labour would have to be mobilised to overcome the current shortage and dislocation. The nationalisation programme would have to be pressed forward as energetically as possible. The distributive process must be overhauled and simplified. The co-operative and trade union movements must be encouraged. The currency reform launched in the autumn of 1945 must be completed. The financial policy of the Government must be directed towards the fulfilment of the plan, and banking must be reorganised to suit the requirements of a planned economy. The tax structure of the State must be reformed. Foreign trade must be encouraged and oriented in such a way as to free Czechoslovakia from the impact of foreign economic fluctuations and crises. Imports and exports must, therefore, be controlled and planned.

4. The pre-war standard of living must be surpassed. To this end, an effort would be made to increase the volume of consumer goods, to lower their prices, and to establish a fair wage policy based on piece-work and therefore determined by individual effort. The pay and working conditions of the civil service would be improved and its standard raised. Social insurance and welfare must be improved and extended. An educational reform bill must be enacted, which would place special emphasis on technical schools and on adult education. State music and art centres must be established. Broadcasting and film enterprises must be carefully regulated. The physical and moral welfare of Czechoslovak youth must be assured within the framework of a united non-party State organisation.

5. The national purge of collaborators must be hastened to its conclusion. On this point, the Prime Minister particularly emphasised the necessity of purging from public life in Slovakia those fascist elements which still remained in the Government and in various political parties. The national police force must be strengthened and unified.

6. The cornerstone of Czechoslovak foreign policy was permanent alliance and all-round co-operation with the Soviet Union. 'The principal task of our foreign policy continues to be the strengthening of our security. The fact that the Soviet Union has become our neighbour by her entry into the Danube basin, not only most effectively enhances our security but also enables and commands us to extend our efforts towards the systematic development of economic relations in addition to our sincere political and military alliance and our traditional over-deepening cultural relations.' At the same time political and economic relations must be strengthened with Great Britain, the United States, and France, and the Government would participate sincerely in the UNO.

7. The military power of the nation would be strengthened and would be supplemented by outside support, particularly by alliance with the Soviet Union. The army would be democratised, and the conditions of its personnel improved.

This programme of the Government was said to be based on the Kosice Programme, but it made clear and definite certain principles which were only implicit in the document drawn up in April of the preceding year. The most obvious was the determination that economic planning would be a permanent feature of Czechoslovak life. The whole of the national economy, private and public enterprise, production, prices and foreign trade would be subject to Government planning and regulation. It is also important to note that the Alliance with the Soviet Union was reaffirmed as the basis of the nation's security and the fundamental element in its foreign policy.

If the intentions of the Government went far beyond the Kosice Programme, it is also notable that those intentions were now based on popular approval. Though the new programme was heavily weighted with the influence of the Communist Party, it was the joint programme of all parties whose strength in the Government reflected the results of a free popular election.

CHAPTER 2

THE POLITICAL PARTIES

THE six parties of the National Front joined on the single platform of the Kosice Programme and agreed in mid-1946 on a single programme for the Government, but they retained their identities and their individual and distinct political programmes. The elasticity of the Kosice Programme was sufficient to allow marxists to operate alongside liberal parties.

Although the Government after the election continued to represent a National Front of all parties, the new situation had one novelty. The Communist Party held a stronger position than any party ever had in the history of the Republic. The largest number of seats ever held by a single party before Munich was the 74 out of 281 obtained by the Social Democrats after having polled 25 per cent. of the votes in the first national election, in 1920. No party thereafter ever succeeded in winning more than 15 per cent. of the ballots cast. The election of the Constituent National Assembly in May, 1946, however, yielded the Communist Parties of the Czech Lands and of Slovakia 38 per cent. of all votes cast. The Communists emerged therefore not only as the strongest post-war party, but as the strongest since the foundation of the Republic, with 2,700,000 votes behind them compared to the previous record of 943,000 cast for the Agrarian Party in 1925. The election thus legitimised for the Communist Party the key position it had held in the Government since the liberation.

This victory for the Communist Party meant the first victory for marxian socialism in Czechoslovak history. Despite Czechoslovakia's pre-war tradition of social progressivism and the strength of social democracy, the nation was predominantly middle-class. Social democracy had a strong hold among urban workers, but the small farmer, petty bourgeois shopkeeper and civil servant were still the typical citizens of the country. A variety of factors and

events conspired in the years since 1938 to change the political complexion of the country and to enhance the prestige of the socialist parties, and of the Communist Party in particular.

The strength of the Communist Party cannot be dissociated from the relations between Czechoslovakia and the Soviet Union. The alliance between the two countries in 1943, the decisions of the Great Powers at Teheran and Yalta, the liberation and occupation of most of Czechoslovakia by the Red Army were facts that made it clear—even if the logic of the Soviet position in Europe did not—that Czechoslovakia was henceforth to be considered the western frontier of Soviet power and a close associate in every way of the Soviet Union. Whether it was gratitude, fear, or the sense of history that pulled Czechoslovakia into the Soviet orbit (and all three factors were present), it was inevitable that the Communist Party should benefit from the development.

The Party, moreover, which had been the most active group in the underground, was able to take advantage of its position in the early days of liberation. It dominated the national committees and the labour movement; it was able to seize key government posts; the post-war army was set up under control of the officers who had fought on the eastern rather than the western front. Control of the Ministries of Information, Interior, and Agriculture yielded quick dividends.

Czech families were being moved into the borderlands of Bohemia into formerly German-owned farms and homes. The entire resettlement programme was under the direction of a Communist Minister of the Interior, and a Communist chief of the Resettlement Office. The Party thus had the decisive influence in the distribution of hundreds of thousands of hectares of land. It can be no accident, therefore, that the Communist Party obtained its greatest leads, and even majorities, in the borderlands, where new settlers showed their gratitude concretely. Moreover, the granting of high prices for agricultural products in 1945, by a Communist Minister of Agriculture, probably also helped win rural votes for the Party. (This same policy might one day boomerang to the disadvantage of the Party by disaffecting its old-line urban membership.) These factors, the direct result of Communist control of two Ministries, produced the chief surprise of the election: the unexpected success of the Communist Party in the rural areas. Before the war the countryside

had been the stronghold of the conservative Agrarian Party, and it had been generally anticipated that the vote it once controlled would go to one of the conservative parties, probably the People's Party. But intensive organisation, the granting of high prices, and the gift of cheap land conspired to swing a high percentage of the rural vote to the Communists.

The vote of young people played an important part in the election and probably also helped the Communists. The voting age was 18, and a high proportion of the 7,100,000 voters cast ballots for the first time. They were young men and women who grew to maturity under occupation or in exile, and it was to be expected that their votes would go to the most aggressive party. The energy and positivism of the Communist Party was an asset not only with youth, but with the population generally. No other party presented so specific a programme, and presented it as vigorously as did the Communists. Moreover, the obviously meticulous preparation by the Communists of rallies and parades, in which all parties frequently joined, was evidence of thorough and effective organisation.

The Communists pressed most energetically a few principles which were close to the hearts of most of the people. One was association with the Soviet Union, which no party could or would dream of condemning, but which equally no party could press as effectively. Another was the nationalisation programme, which all parties had joined in supporting, but which the Communists could take credit for having broadened far beyond the original intentions of some of the parties. A third was the Five-Year Plan for Agriculture, worked out under the auspices of a Communist Minister, which promised more and better food to the urban population and equipment, machinery and less labour to the farmer.

The Communists of Czechoslovakia could do and say these things with relatively little of the taint of international revolution which characterised Communist Parties elsewhere. Since the rise of separatist parties in Czechoslovakia in the early thirties, the Party had placed national over revolutionary interests; and, in the present situation, it has continued to emphasise reform within the framework of national traditions rather than an abrupt break with the past. The familiar terminology of class struggle is conspicuous by its absence from Communist writings and speeches. Assured of its position in the National Front and of a Czechoslovakia friendly to

the Soviet Union, Communists could act as a national party, concerned above all with working out the peaceful progress of the country in collaboration with other parties.

These facts, without which the popular vote polled by the Communist Party in a country where farmers, white-collar workers, and shopkeepers predominate is meaningless, lend credence to the rumours of a struggle going on within the Party itself—a struggle between a reformist element, led by the Prime Minister, and a revolutionary group, headed by trade union leaders, who believe the Prime Minister is proceeding too slowly on the path of socialism. The latter group probably includes the old rank and file membership of the Party, the urban workers, whose highest pre-war strength in 1925 fell short of 950,000 votes. The present leadership of the Party must find a way of reconciling this group with the new classes who have joined the Party and without whom they cannot succeed in holding power by parliamentary means.

There can be no doubt of the platform of the Communist Party. It is strictly Marxist. Established in 1920 from the dissident left-wing of the Social Democratic Labour Party, its strength reached a peak in 1925 and declined thereafter. It has two unique characteristics. It was, during the First Republic, the only political party which was truly 'Czechoslovak' and it is the only party free of all taint of responsibility for the Munich crisis. It formed the hard core of the organised resistance during the war. The new conception of the relations between Czechs and Slovaks naturally resulted in the formation of a nominally independent Slovak Communist Party, but the two parties differ only in their emphasis on Slovak problems and may be considered as one. The Party emphasises the unity of the Slav nations and the necessity for continued vigorous struggle against the remnants of bourgeois democracy in Czechoslovakia. As Minister Kopecky, the Minister of Information, put it, 'we proclaim that we adhere to the Russian conception of Marxism, to the teachings of Lenin and Stalin. . . . The example of the Soviet Bolsheviks will lead us to seek and find in the spiritual heritage of our nation the Czech interpretation of revolutionary thought.'

The emphasis on the 'Czech interpretation' of socialism is greater in other Communist leaders, in the Prime Minister, for instance, who is still chairman of the Party. In 1947 he told a

journalist that the Communist Party—

seeks to attain socialism, but we are of the opinion that to reach socialism there exists not only the method of the dictatorship of the proletariat. The struggle against Hitlerian fascism, then the victory over it, were events of great revolutionary import, which made way in many countries, among which our own, for elements leading to socialism by peaceful evolution. I believe not only that we are capable of attaining socialism by routes different from that of the Soviet example, but that we have already set off on that direction; for the nationalisation of industry and the new popular system on which our public administration rests are the first concrete steps along the way. The Communist coalition with other parties, he went on, is not opportunism, and there is no reason for a rupture of the National Front. With regard to parliamentary institutions, they will have no more vigilant guardians than the Communists, when they are written into the new Constitution.

Only once since the war has the Communist Party clearly broken with the tradition of Czechoslovak democracy. This was on an issue involving the freedom of the judiciary, which did not arise until after the election. It is of sufficient importance to justify describing here.

War criminals and collaborators were not tried by constitutional courts after the war but by special National Courts and People's Courts established by decree for the specific purpose.¹ The National Courts of Prague, which hanged K. H. Frank after the country's most sensational trial, convicted but did not impose capital punishment on the members of the Hacha Protectorate Government. The immediate result was an outcry from the Communist Party and from various other groups, who accused the Court of standing in the way of the 'will of the people.' The Communist press and some of the Party leaders demanded the reopening of the case and provision by law for the subjugation of the courts to the people's will. The Prime Minister declared that 'we fully recognise the independence of the judges, but the judges are not independent of the law. The courts have to operate according to the law with regard to both public opinion and the point of view of the government.' The remainder of the press immediately took up the issue, and a bitter debate followed.

¹ By act of the National Assembly these courts were scheduled to go out of existence on May 4, 1947. Thereafter cases still untried were to be heard in the regular courts.

That there had been a considerable degree of popular sympathy for the convicted Government was not discussed, for that fact was irrelevant to the main point, which involved the independence of the Czechoslovak courts. The National Socialist Minister of Justice maintained that the law 'does not admit any appeal or modification of the sentence passed by a National Court because such a sentence is final' and that neither a revision nor a reopening of the case was possible. Nevertheless, the Government, after having accepted the legality of the verdict, reconsidered the question and asked the Ministers of Justice and the Interior to express their views with regard to reopening the case.

The entire matter was subsequently dropped without further action or comment. But it called forth later from one well-known Czechoslovak journalist the comment that it was 'the greatest crisis' of 1946

It was a matter of more than whether the sentence was just or no; in this matter there will always be a difference of opinion between those who were in exile and the majority of those who were at home through the war. What was at stake was whether Czechoslovakia was to keep the laws which she had just made or whether, if the attempt succeeded, she was to find herself in a position in which any law could be suspended at any time if a big enough crowd of hooligans were organised to protest against it. It was a crisis, but justice finally emerged from it strengthened. It was decided that there was to be fair trial and not lynch law. . . . Clearly this crisis, which was followed by an ebbing of passion, benefited all laws, for the restoration of the legal order—with the consent of all parties—was undeniable.²

To the right of the Communist Party lies the oldest party in the Republic, the Czech Social Democratic Party, whose history goes back to 1878. This too is a marxist party and a former member of the Second International. In the first election of the Czechoslovak Republic it emerged the strongest of all parties, but its strength broke on the rocks of its anti-communist bias, with the result that the pre-war Agrarian Party could readily play against each other the Social Democrats and the Socialists. There are still signs of a difference of opinion within the party, but it has in general lost both its anti-communist and its anti-Soviet point of view. The effective leadership of the party is to-day in the hands of those who lived

²Ferdinand Peroutka—'The Year 1946 in Czechoslovakia,' *The Central European Observer* Jan 24, 1947, p 18

in the Soviet Union during the war, rather than the more moderate men who found exile in England, with the result that after the war it acted in close collaboration with the Communist party. By the end of 1945, however, there were signs of strain in the alliance and of growing strength in its right wing. With this development, the Party's influence among the people has increased, a fact which suggests that the process may continue. The main strength of the party comes, as it did before the war, from the trade unions and the working class.

To the right of the Social Democrats is the National Socialist Party, the party of President Benes. This is a socialist, but a non-marxist party. The origins of its socialism lie in considerations of humanitarian democracy rather than in marxism and, as might be expected, its support comes less from the manual working population than from the intelligentsia and white-collar workers. In the words of the Secretary-General of the Party, 'its socialism grows from a national basis, rejecting strict doctrinaire rules, and adapting itself to the development of modern democracy, its needs and its aims.' The Party claims that its conception of socialism is based on a moral idea of social justice for all classes of the nation who contribute positively towards the benefit of the whole through their physical or mental work. It 'stresses the fact that its socialism is based on Czechoslovakia's national, economic, social and cultural needs. As the philosophical basis of this socialism the ideas of humanitarian democracy, which lay stress in the first place on spiritual powers, are recognised. In the Party's conception of socialism, no particular class is given preference.'

The National Socialist Party was established in 1897 in an effort to draw off the non-marxist members of the Social Democratic Party. Despite its liberalism, it failed to obtain any significant support during the first Republic. To-day it tends to the right, perhaps under the pressure of the predominantly marxist character of the parties which have received a popular majority, perhaps under the influence of members of the former Agrarian Party who have undoubtedly found refuge in its ranks.

Technically to the right of the National Socialists is the People's Party. Despite its non-socialist character, the People's Party is genuinely progressive and social reformist; the predominantly socialist character of the Kosice Programme and of the Government of which

it is a part has pulled it to the left, although it now stands on the right wing of Czech politics. In the words of one of its leaders, the Minister of Health, 'the principle of private enterprise remains the lever of economic progress and will again find its deserved application. . . . We do not have to pretend that we have changed the programme of our party. This programme is non-socialist and only social-reformist.'

The official organ of the Party, after the elections, summed up its position.

The party is not a socialist party, but a progressive party, favouring social reforms. . . . The party has opposed the Communists not for social reasons, since it has supported all the social reforms of our new economic order: the nationalisation of key and heavy industries and banks; the party did not refuse responsibility for such measures prior to the elections, and will take the same line in future. But what it wanted is a border line, where nationalisation will stop, and equal rights for private enterprise, security for honestly acquired property. Towards this aim we shall continue to fight. We are against the final aims of socialism—the end of private enterprise and the dictatorship of the proletariat. But no party used these slogans, not even the Communists. They attracted the voters not by their Communist programme, but by their patriotic and national slogans, their emphasis on democracy and freedom, not excluding freedom of faith. . . . We shall see to it that the principles of liberty, democracy, protection of private enterprise and personal freedom shall be incorporated in the Constitution of the Czechoslovak Republic.

Farthest to the right of all the political parties is the Slovak Democratic Party, which has no pre-war history but is simply an amalgam of a variety of groups that participated in the Slovak resistance movement and those members of pre-war and war-time clerical-fascist parties now outlawed who could combine on a programme of anti-socialism and, to a lesser extent, of Slovak autonomy. There is little doubt either of its essentially conservative character or the fact that its opportunism in taking advantage of the distrust between Czechs and Slovaks is a threat to the unity both of the Government and the Republic. Nevertheless it is an adherent of the National Front.

Government by coalition is not new in Czechoslovakia. On the contrary, every Government since the establishment of the Republic has been a combination of four or more parties. The present Govern-

ment, however, is a new type of coalition; it is national in the sense that all parties (except the two that polled a negligible number of votes) are represented in it.

The reduction in the number of parties and the inclusion of all party leaders in the Cabinet has made unnecessary an institution which had grown into the pre-war political system of the country. No Government has ever existed in Czechoslovakia without a coalition of four or more parties. Since pre-war coalitions were fairly loose and since the coalition Cabinets rarely included party leaders, a method had to be devised of assuring the Cabinet command of a majority of the Assembly. The result was the growth of an extra-legal, extra-constitutional body known as the 'Petka' ('The Five' or, if occasion demanded, 'The Six'). The 'Petka' was a council of the leaders of the coalition parties or of their most powerful members. The rigid party discipline that characterised the Czechoslovak political system enabled them to control their parties' members in the Assembly, and they were in a position thereby to control the Cabinet. The 'Petka' hammered out a policy or a programme, imposed it on a Cabinet, and assured its approval by the Assembly.

To-day the parties' leaders are members of the Cabinet, and the debates on policy can take place and the necessary compromises can be worked out within the Cabinet itself. Nonetheless, the six party leaders, the Prime Minister and his five deputies, remain the most powerful members of the Cabinet, the inner Government, because of their hold on their parties. In a sense, therefore, the 'Petka' has lost its original justification by virtue of the fact that it has moved into the Cabinet and its existence has thereby been legalised. There is, however, a vestigial remainder of the 'Petka' in the form of the conference of party leaders which calls itself the National Front of the Czechs and Slovaks. It is hardly distinguishable, in purpose and function, from the inner Cabinet.

The reduction in parties and the results of the election have had another important effect on the political system. The pre-war party system was characterised by unusual stability; from election to election, the parties had shown relatively little variation in strength. This characteristic resulted partly from the rigidity of party discipline, partly from the fact that parties were primarily pressure groups in Czechoslovakia rather than broad coalitions of varied interests (as, for instance, in America), and partly from

the fact that parties rather than persons were voted for at the polls. Governments in office, therefore, tended to differ very little, although in twenty years there were seventeen different governments. New cabinets frequently involved no change in the political complexion of the Government or in its policies. Coalition cabinets normally alternated between bourgeois and socialist-bourgeois, with the conservative Agrarian Party the fulcrum of every government. The two socialist parties and the Catholic Party were, except for short intervals, always in the government. The effect of combining socialists and conservatives in the same cabinet was to impose the necessity of compromise, and since the complexion of the cabinet never changed significantly, government policy was remarkably consistent over the twenty years of the Republic and government ministries tended to become the private reserves of specific political parties. It is notable, too, that in the entire period, the Left never dominated a cabinet, the Communists never participated in a government, and the coalition in power was never faced by an organised bloc of opposition parties capable of assuming office itself.

The pattern of Czechoslovak political parties has changed radically since 1938, when they ran the gamut from fascism through liberalism to communism. The post-war elimination of the most conservative parties left only those from Centre to Left, all of them reformist. In western European terms there are no conservative parties in Czechoslovakia to-day. It is only in terms of domestic politics that one can speak of a right wing, but that right wing stands for reformist liberalism. Four of the six parties are socialist.

Despite the common agreement on the Kosice Programme, the parties tended from the outset to divide along two fairly well-defined lines. The first cleavage was between the Slovak Democratic Party and all the others including the Slovak Communists. The basis of this cleavage was the traditional mutual distrust of Czechs and Slovaks. The second rift was between the two Communist Parties and the Social Democratic Party on the one hand, and the National Socialists, People's Party and Slovak Democratic Party on the other. In terms of the Czechoslovak party system, this was the cleavage between Right and Left, though more precisely it represented a bloc of marxist parties against an uneasy alliance of liberals and non-marxist socialists whose chief force of cohesion has been opposition to the supremacy of the Communist Party. The trend of events since the late summer

of 1946 has been to make this revision less sharp, a manifestation of the growing opposition to the Communist Party among the Social Democrats. Although each of the two blocs consisted of several parties, those in the socialist bloc had a common policy and those in the liberal could and did act in unison on specific issues. The electoral strength of the two blocs is at the moment almost exactly balanced, the marxian socialist parties having polled only a bare majority of the votes. If the National Front should break, or be dissolved by choice, the country has before it the possibility of alternative Governments. A small shift in the electorate might mean a change in the balance of political power. The presence of a potential and effective opposition, while it might not mean a fundamental change in the nation's economic policy, nevertheless offers choices and means of effective criticism which the Czechoslovak citizen rarely had before and will force on the parties in power an added sense of responsibility.

The bare majority held by the marxist bloc is especially significant in view of the fact that a majority of three-fifths is required to make a constitutional law valid. The National Front Government and particularly the Communist Party must be aware of these obvious facts. The delicacy of the balance of political power would make a certain amount of compromise essential for the Communist Party, even if the presence of all parties in the Government did not already impose that necessity. While the marxist bloc holds so slight a majority, an all-party government is advantageous to it, for otherwise it could not guarantee an effective Cabinet or prevent a stalemate in the Assembly. It is equally to the advantage of the nation, which is thereby assured a balanced programme. On the other hand, the knowledge of the present necessity of compromise must equally have impelled the Communist Party to take those ministries for itself which are most likely to influence the most people in the shortest time. It can be no accident, therefore, that Communists head the Ministries of Information, Interior, Agriculture, Finance and Labour.

The presence of all parties in the Government will not eliminate debate from the floor of the National Assembly. On the contrary, the balance of political power is likely to make debate more lively than ever before. Significantly, it has already become bitter on issues involving the prerogatives of the National Assembly itself. Opposition quickly developed to the statement of the Prime Minister that

the new Constitution would be drafted by a special committee of experts appointed by the Government, rather than by the National Assembly. The cry of protest was so great, that the Government withdrew its original plans for drafting the Constitution and left the task to the National Assembly, which immediately established a committee of its own members for that purpose. The question arose again at the end of 1946, when the Minister of Agriculture carried six agricultural reform bills to the public for discussion before they had been discussed either by the Cabinet or the National Assembly. The upshot was a severe reprimand to the Minister from the Assembly which called his action 'not in keeping with Czechoslovak parliamentary tradition,' and agreement among all parties (except the Communist Party, of which the Minister was a member) that the principle of parliamentary democracy had been properly upheld.

Nonetheless, it seems unlikely that the Constituent National Assembly will play a more creative role in Government than did the Provisional National Assembly which it succeeded, or the pre-war assemblies. The domination of government by the executive has been the tradition in Czechoslovakia. There is no evidence of a weakening of party discipline. The individual member of the Assembly is still indebted to his party, rather than to his constituency; for it was his party affiliation, rather than his personality or his ability, that won him his seat. All these factors tend to reduce the Assembly to the function of approving decisions made in advance by party leaders. But the critical faculties of the National Assembly can certainly grow even within these limits. The National Socialist Speaker of the Assembly pointed out, in January, that 'the paralysis of parliaments marked the decline of all popular liberties throughout Europe. Do not let us forget, that disrespect for the silencing of Parliaments marked the onset of fascist tyranny.' With this statement, all parties were in sympathy. Differences would arise on the meaning of the Assembly's actions.

In his Christmas message the President announced that he was concerned with the 'unfavourable signs in our life. . . . In all our political parties evil elements are hiding. I have in mind the many people with more or less serious moral defects who are always thrown up after great wars and great revolutionary movements. I speak of all our political parties, as the signs are general. These elements

entered the parties not to strengthen them but to save themselves.' This frank comment loosed a flurry of recriminations in the party press, each side accusing the other of shielding members of outlawed parties, of demagoguery, of sabotaging the Kosice Programme and the Government in partisan interests, and welcoming a party purge—in all other parties. The debate tended to focus around the role Parliament is to play in the new Republic. To the Communist press, the issue was summed up in the infiltration of certain people into the liberal parties who see the new regime as detrimental to their class interests and who are attempting to use the National Assembly as a 'chamber of resistance' to the Government. To the liberals and to the Social Democrats, who in this instance did not side with the Communists, the issue was whether the National Assembly should be reduced to a passive body or carry on the role of constructive criticism.

Out of the welter of words, two things seemed to emerge. The first was the growing self-assertion of the National Assembly. Its successful insistence that it, rather than the Government draft the Constitution, its reprimand to the Minister of Agriculture, its appointment of a parliamentary commission to supervise Government expenditures and to examine the financial positions of national enterprises, trade unions, chambers of commerce, co-operatives and other such bodies, and of a second commission to watch over the Two-Year Plan were perhaps signs of the growing vigour of Parliament and of its jealousy of its prerogatives. The development carried also an element of danger. Party discipline was as great in Czechoslovakia as ever. If therefore an opposition seemed to be developing in Parliament, it might indeed be true (as the Communist press asserted it was true) that some parties of the National Front were using the techniques of parliamentary democracy to fight the nation's dominant party, which they found it difficult to do from within the Cabinet. If this were true, it boded ill for the National Front.

The second upshot was real evidence of a weakening of the ties of the National Front. At the end of 1946, there were speculations as to how much longer it would last. Each party accused the other of undermining it. The Slovak Democratic leader predicted its early demise. The Prime Minister, without naming parties, attributed the 'deterioration of the National Front' to the following facts :

1. The black market had grown in importance, but certain parties were impeding action against it because some of their members were benefiting from it.
2. Products of the consumer goods' industries were overpriced with the result that small manufacturers were obtaining large profits. The parties to which they belonged were preventing adjustment.
3. Appointments in many nationalised industries had been made on a purely political basis, and some parties objected to new appointments because they would lose prestige.
4. Some parties were pressing for the sale to individuals of property confiscated from the Germans.
5. The slow legislative work of the National Assembly was delaying recovery.
6. The purge of traitors was proceeding too slowly and too half-heartedly.
7. Attacks were being levelled against the foreign policy of the Government.

Whether the Prime Minister's analysis was accurate was irrelevant. The point was, that he too recognised cracks in the National Front, and that the cracks were in most cases manifestations of conflict on economic issues. In an alliance of liberal and socialist parties, it was inevitable that the conduct of the nation's economy should become the major point at issue.

CHAPTER 3

ECONOMIC STAKES OF POLITICAL STRUGGLE

SINCE the liberation of Czechoslovakia, no aspect of its economy has escaped the hand of the Government. That hand has been to a greater or lesser extent applied in planning, in regulation, and in outright management. It has affected industry and foreign trade, agriculture and prices, social insurance and the distribution of goods. Behind this extension of power and responsibility lies the generally accepted principle that the Government is both the protector of the national economy and the agent that must assure to each individual his just share of the product of the national economy. That principle was implicit in the Kosice Programme; it is clear and explicit in the programme of the present Government.

While the specific issue of socialism, or even the narrower issue of nationalisation has never been submitted to a popular referendum, the legislative measures of the post-war coalition Government are sufficient to support the conviction that Czechoslovakia is moving in the general direction of socialism, and with general approval. It is important to understand why this course has been adopted, and what it means in the case of Czechoslovakia.

It was inevitable that the end of the war should be accompanied by a broadening of the economic functions of government and of its powers as the regulator of the nation's economy. This development was not peculiar to Czechoslovakia; it was common to a large part of the world, and particularly to Europe. Nor was it an upshot of the war alone; it has deep historic roots in European capitalism and in the growth of social ideas, but the lessons of the war gave it a new and undeniable impetus.

In a revealing article on the post-war spread of nationalisation in Europe, Miss Barbara Ward has pointed out the tempting but fallacious tendency to attribute nationalisation solely to the intellec-

tual impact or the overt political pressure of the Soviet Union.¹ The theory is on the face of it plausible since in any country the degree of nationalisation tends to vary in inverse ratio to the distance of the country in question from the Soviet Union and directly with the strength of communist parties, and nationalisation is particularly prevalent in the countries that were liberated and at least temporarily occupied by the Red Army. However satisfying and simple this explanation is, it ignores vital facts: that nationalisation has a history pre-dating by many decades even the First World War; that it was in pre-war years a characteristic of such anti-Russian and anti-Communist governments as those of Poland and Turkey; that since the collapse of the Third Reich it has been adopted in varying degree by nations as far apart on the political spectrum as Yugoslavia on the one hand and Great Britain and Holland on the other. While the prestige of the Soviet Union and the power of Communist parties cannot be denied as potent factors influencing governments to adopt programmes of nationalisation, they are simply parts of the total picture which cannot be fully understood without reference to the economic development of Europe in the past century and to the economic and social impact of the Second World War.

What Miss Ward has said of nationalisation in particular, is valid for the general tendency towards socialism, and the argument she applied to Europe in general is specifically applicable to Czechoslovakia.

Public ownership of some of the means of production and government support of private enterprise were virtually the contemporaries of capitalism in those parts of Europe which were the last to feel the impact of the industrial revolution. East of the Rhine, predominantly feudal economies had prevented the growth of a middle class and impeded the accumulation of capital. In the rapidly developing nationalism of the nineteenth century, state intervention and state capital became necessary if the eastern nations were to compete with their western neighbours and strengthen themselves for the contest of power which is ever the preoccupation, if not the purpose, of governments. Concern for national productive efficiency and for national economic strength has always been the first purpose of state control and state financing of enterprise. A whole system of political

¹ See Barbara Ward—'Europe Debates Nationalisation,' *Foreign Affairs*, October 1946, pp. 44-58

economy—national protectionism—was built to justify what was considered national necessity, a system parts of which are ingrained even in the thought and action of the United States, the nation still most thoroughly wedded to the principles of private enterprise.

Even in the countries in which free enterprise had its first and most complete elaboration, the development of private capitalism in the past generation has frequently made necessary public intervention in the national economy and increasing public financing of private enterprise or outright public ownership. The periodic crises that seem inherent in Western capitalism and the tendency towards protective monopoly, resulted in a permanent state of uncertainty and a slowing down of the pace and volume of new investment. State intervention became increasingly common to prevent or to supply an antidote to economic depression, and to provide the new investments which private capital could not or did not want to undertake. As in those cases where public intervention and the public supply of capital developed in conjunction and simultaneously with large-scale private enterprise, the over-riding consideration has always been concern for the national economy.

Pre-war Czechoslovakia was no exception. Almost the whole of its railway system was state-owned. Tramways, electric, gas and water works were entirely owned and operated by co-operatives or communes. From time to time during the first phase of the Republic (in 1924 for instance) the Government placed funds at the disposal of banks in difficulty. Government capital was of major importance in such key firms as the powerful Zivnostenska Bank and the Skoda Works. The Great Depression was the occasion for sweeping incursions by the Government into the fields of banking, foreign trade, and exchange.

The war made necessary far greater capital investments than ever a depression had, and, it was agreed everywhere in Europe, more than private capital could bear. However small the quantity of outright physical war damage in Czechoslovakia by comparison to that of other countries, a considerable volume of new investment was demanded for the reconstruction of the national railway system and for the essential housing programme. More important, however, was the investment required for the modernisation and rationalisation of Czechoslovak industry, a programme made necessary in part by the deterioration and obsolescence of industrial equipment and in part by

the reduction in the labour force and the decline in its productive efficiency. According to the National Bank of Czechoslovakia, Czechoslovak losses totalled 429.7 billion crowns (1939 value). Direct war damage to agriculture, industry, trade and transport reached 108 billions, 80 per cent. higher than the total pre-war national income.²

The problem was to find a source for the necessary investment. Private capital had been mulcted during the war, and found at the end that, even when liquid assets were large, they were in the unconvertible form of demands on German production. Borrowing would be essential to set production going again. To borrow private foreign capital has, during the past generation, been considered a dangerous expedient, for the nineteenth century yielded too many examples of a foreign flag following foreign money. The volume of foreign capital that would be required, and the rate of interest that would have been demanded, in view of the unsettled conditions in Central Europe, might, it was feared, indenture Czech industry to foreign interests for many years to come. There were external political reasons, as well as considerations of national economic independence, for avoiding such a situation. It would inevitably have converted Czechoslovakia into a battleground between the capital exporting countries of the West and the Soviet Union, which would be jealous of any effort to bring Czechoslovakia into the economic orbit of the West.

Another possibility was to lend State funds to private enterprise. But this alternative was politically impossible in post-war Czechoslovakia, where suspicion of financial and industrial monopoly had grown to the point of the irresistibility. The State, said President Benes, 'could not financially consolidate a great number of individuals, return to them—at the expense of all the other inhabitants—their big properties. It was therefore best and more just to leave them in the public ownership. . . . That was the main reason for the decree nationalising some of our industries and our banks.'

The control of Czechoslovakia's basic and large-scale industries had long been concentrated in a small number of concerns ; direct

² The Temporary Sub-Commission on European Reconstruction of Devastated Areas of the Social and Economic Council of the United Nations set total war damages at \$11.5 billions, of which \$4 billions were attributable to direct military action and \$700 millions to lack of maintenance.

owners were numerous but of relatively little importance, particularly in the basic industries. Industry, moreover, was under the influence of a few large banking houses and of foreign capital. This was especially true in those industries vital to Czechoslovakia's reconstruction, in mining and metallurgy, and in the engineering, electrochemical and chemical industries. For instance, seven firms controlled 91 per cent. of Czechoslovakia's entire production of pitcoal; two companies produced 66 per cent. of all brown coal; the Prague Iron Company produced 99.1 per cent. of all iron ore; almost 85 per cent. of all coke was produced by four companies. Mining was entirely in the hands of anonymous capital, and a large part of it was foreign.

German authorities had taken advantage of the pre-war concentration of Czech industry and its dependence on the banks. Aside from outright expropriation and forced sales, which frequently occurred, they were able to exercise control over the whole of the Czech economy by the simple expedient of putting their men into a few key managerial positions and into the banks and central joint-stock companies. In the process they further consolidated Czech industry and obscured real ownership. Nationalisation in Czechoslovakia would therefore serve the double purpose of repatriating capital and of substituting public for anonymous capital. It would also solve the impossible problem of unscrambling the ownership of property seized by the Germans. To sell confiscated German property to private individuals or firms would have further concentrated private capital and industry—and this was politically unthinkable.

Here again, post-war developments in Czechoslovakia were but an extension of pre-war trends. The expansion of government regulation and ownership in the economic field has not only been the result of technical economic factors, but also of political and social demand. Demands for social justice and for economic equality ante-date 1848, but it was the growth of marxist socialism that, for the first time, combined moral indignation with economic analysis and provided a political programme which had the advantage of being not simply a prescription for action but a recognition of the alleged inevitable dialectic of history. The demand for social controls and for the broadening of public ownership has derived its main strength from marxism, though it has broader foundations in moral objections to the class basis of society. As the marxist analysis or the moral indignation or both spread, they were accompanied by a vociferous demand for the

regulation of private enterprise, for government ownership of at least those enterprises most closely associated with the public interest, for the kind of government planning and supervision that would prevent the recurrent crises of capitalism and assure a fair distribution of a nation's production. These in varying degree have long been the demands of the disinherited; and the degree of their realisation has been the result partly of local political and social traditions and partly of the fluctuating strength of the classes who have supported them. The demands themselves have varied in intensity from their rigid universal application by the Communists to the considerably watered-down version of the American New Dealers.

This may be considered the social aspect of state intervention and planning. It is distinct from concern for national economic strength and must not be confused with it, for the history of the past thirty years has made plain enough that the two aspects are independent of each other. Fascist economy made it clear that nationalisation, government control, and central planning may be directed exclusively towards the goal of national power and may be completely divorced from any social motives. It was in this sense that the German National Socialists prostituted the term 'socialism,' which has always combined the two functions of government-dominated economy.

The social aspects of state intervention could be, and of course were adopted in many parts of the world in response to the growing political pressure of large masses of people concerned with their own welfare and led frequently by intellectuals who had absorbed or been affected by various kinds of socialist thought.

Czechoslovakia had, before the war, a strong tradition of socialist thought. The oldest party in the Republic was the Social Democratic Party. It was and has remained a party adhering to the principles of marxist socialism and derived its main strength from the working class, though its willingness to compromise and collaborate with other political parties and its tendency to Fabian methods resulted, in 1921, in the secession of its extreme left-wing. This group became the Communist Party, whose programme corresponded to that of other participants in the Third International. In the first election carried out under the Republic, the Social Democrats obtained 26 per cent. of all votes cast, the record for the pre-Munich Republic. It lost heavily with the establishment of the Communist Party, though it recovered sufficient strength to poll an eighth of all votes in the last

pre-war general election. The two marxist parties together, however, remained relatively constant. In the election of 1935, the parties together gained 1,883,000 votes, almost one-fourth of the total.

Differences in tactics, if not in goals, separated the two marxist parties, but the marxist parties had no monopoly on socialism. The Czechoslovak National Socialist Party was a party of socialism from its origins in 1896 but specifically non-marxist. Though it had organised as a nationalist reaction to the then rigid marxism of the Social Democrats, once the latter were rid of their Communist left-wing, the programmes of the two parties grew more similar. The essential difference (as has already been noted) lay in the process of analysis by which the programmes were arrived at and was reflected in the nature of the groups from which they drew support. The party never held more than 32 seats in parliament; in 1935 it polled three-quarters of a million votes. The three self-declared socialist parties polled 2,639,000 votes, more than 2.2 times as many as the conservative Agrarian Party which held the largest bloc of seats. Again it is interesting to note the comparative constancy of the socialist strength in parliament in the four general elections of 1920, 1925, 1929 and 1935; the seats it held varied within five per cent.

While 'socialism' may have been the stock-in-trade of the socialist parties, measures of socialism involving government intervention and ownership were frequently urged and supported by parties of the Right. Thus in 1919, the National Democratic Party, which stood on the extreme right of the political spectrum, tried to have enacted legislation for the nationalisation of mines and forests. The Czech Catholic Party was a supporter of the traditional Christian version of socialism. The Agrarian Party, though it later became tainted with collaborationism and was the spokesman of the large landowners, was also the protector of the small peasant and the prime mover in the early attempts at land reform.

Professor Taborsky could sum up the pre-war situation in the statement that 'the divergence of political opinion on the vital issue of the economic foundations of society and the regulation of social questions was less in Czechoslovakia than elsewhere. Czechoslovak socialism was perhaps less radical, less rigid than anywhere else except in Britain. The Czechoslovak right-wing bourgeois parties, in their turn, were more socially-minded than in other countries. The Agrarian Party strove firmly for agrarian reform, and participated in

building up the progressive Czechoslovak system of social insurance. The National Democratic Party, representing big business, demanded the nationalisation of forests and mines in 1920, while Catholicism took political shape in the guise of Christian Socialism. All these parties could and did co-operate in the same cabinets.

The social activity of these parties was illustrated in a variety of legislation. One of the first acts of the Republic, in December 1918, provided for an eight-hour day and for collective agreements. State unemployment assistance was also enacted in 1918, to be followed in 1925 by the introduction of the Ghent system, which however was considered so inadequate that in the last months before Munich a system of State unemployment insurance was being drafted. Various regulations covered rest houses, recreation, paid holidays, and inspection of factory working conditions. Minimum wage rates were widespread, as well as minimum price rates for home industries. Family allowances were granted to all workers. State as well as trade union labour exchanges were established. Perhaps the most important law, certainly the broadest in its coverage, was the Insurance Act of 1924 which made accident, sickness disability and old-age insurance compulsory for all workers and their families and covered about half the population of the country. The entire system of social protection was a patchwork, an elaboration of the system already begun under the Austro-Hungarian Empire and the result not of a broad and comprehensive approach to the problem of security but of the compromises reached at a particular moment by the interplay of various political pressures. That the system grew, however, was evidence of the growing pressure for social protection and of the willingness even of conservative parties to acquiesce. It showed the impact of socialist thought, but it was not socialism.

The issue of socialism throughout the world was given particular point in the period after the First World War. The crisis in private capitalism in the twenties and thirties destroyed for Europe the myth of the self-regulating character of private enterprise and its supposed harmony of interests, and it led in Italy and Germany to the dominance of fascism and in other countries to the threat of it. The second factor was the impact of the Soviet Union, which meant many different things to many people but which convinced an increasing number of people that, in Barbara Ward's words, 'a planned society based upon nationalised industry can greatly increase a nation's indus-

trial capacity without exposing it to the hazards of boom and slump' and that it can assure a more even distribution of a nation's production.

The third factor, and perhaps the most potent, was the fact that in every occupied country in Europe the original advance of the Nazis was aided and abetted by the same groups and classes which were responsible for the rise of the Nazi Party in Germany: the army, the large land-owners, and the industrialists. These classes had been shaken by the threat of socialism everywhere in Europe. It was natural that, when Nazi victory in Germany made clear the issues between Right and Left, they should make common cause with their German counterparts. It was equally natural that the political and intellectual role of these groups in the rise of fascism should be widely recognised and resented, especially in Central and Eastern Europe where it played a larger part, thanks to the proximity of the Soviet Union. The war became therefore a social war within every country as well as a war of national survival against German aggression.

The fact that so many members of a particular class were open to the charge of treason, united men of every political complexion against them: from men of the Right who were concerned with national solidarity or with Christian ideals of social justice, to those of the extreme Left who saw in the march of events the inevitable unrolling of the marxist dialectic, and including the undoctinaire multitude between who saw simply the hard facts and who therefore became ready to adopt antidotes against their future recurrence.

The obvious antidote was a measure of socialism and economic planning. 'Obvious,' because the model and the programme were already there, because it had been the chief target of fascism, because in the name of opposition to its fascism had been victorious in Italy and Germany and had spread over the rest of Europe, and because the gradual growth of socialist thought in Europe had made its analysis of social and economic development widely acceptable. A 'measure,' because as Oliver Wendell Holmes put it, 'historical continuity with the past is not a duty, it is only a necessity,' and to go the whole way was an impossibility in the light of the social and political traditions prevailing in most countries. The size of the 'measure' would depend on what was acceptable in a given society at a given moment—or on the degree of pressure that could, under given conditions, be brought to bear on the issue. The measure of

socialism and planning that was to be adopted would, however, combine the two aspects of defence of the national economy and concern for the welfare of the poorer classes.

On this general principle there was unity among the leaders of the Czechoslovak underground and its leaders in exile in London and Moscow. Both groups represented coalitions of many parties, which before the war had frequently been unable to co-operate. The lessons of the war as well as its economic results were sufficient to assure a certain degree of unity on basic principles : on nationalisation, on government planning, on social welfare.

The unity of underground and exile was best expressed in the Kosice Programme. The economic articles of that document have already been noted. This, like the other programmes of the resistance, wrote Miss Ward, represented 'the protest of patriots against the betrayal of a class . . . the doctrinaire Socialism of the Marxists . . . the conversion to the idea of State planning of the technicians and hitherto non-political sections of the middle-class . . . a general feeling that, so appalling is the destruction and dislocation caused by the war, only vigorous state intervention can restore the national economy . . . the only solution the men of the Resistance saw to the problem of restoring the ownership of industrial enterprises which the Nazis had, with or without the consent of their owners, transferred to German management within the New Order . . . [and] in the case of the Czechs, a mood of nationalist revenge [against the Germans].'

Though an element of all these ideas appears in the Kosice Programme, only a few of them are explicit and clear-cut, for on matters of economic policy the Programme is nothing, if not vague. The post-war world has provided many examples of the fact that unity can easily be attained if a programme or an agreement is sufficiently vague and susceptible of diverse interpretations. The Kosice Programme, which promised government sponsored social welfare and government control of finance and key industries and hinted at government mobilisation of supplies and organisation of distribution on the one hand, and support of free enterprise on the other, was naturally subject to varying interpretations. The important point, however, was that a Catholic and a Communist Party could together agree on certain minimum essentials, sign the document, and postpone until later the inevitable debates as to where lines should be drawn.

If, however, there was unity on principles, there was deep disagreement on detail or, in another sense, on the speed with which the nation should move in the direction of socialism, a movement considered inevitable by some of the political parties and by many of the people. During the war, these differences were obscured by the unity required to gain the immediate and overwhelmingly necessary objective: the defeat of Germany and the traitors at home. After the war, the differences rose to the surface and were sometimes sufficiently strong to destroy the coalitions which had sprung up everywhere in Europe.

In Czechoslovakia the coalition of Right and Left or, as we have seen, between liberal and marxist has not broken, but the difference between them became apparent almost immediately after liberation. Communists and Social Democrats remain wedded to the principles of marxist socialism, with much of what that implies in intellectual and personal discipline. The National Socialist Party, always socialist, remains vigorously anti-marxist and places its faith in the evolutionary development of socialist forms within the framework of institutions more akin to what is called democracy in the Western countries. Theirs is an intellectual and an historical, rather than an activist socialism. The Catholic People's Party remains non-socialist, and the staunchest defender in the Czech Lands of the ideas of free enterprise. The party split on economic issues is more serious in Slovakia, which has only two parties of significance, each representing a political extreme. On the Left is the Communist Party; on the right the Democratic Party, some of whose members played active roles in the Slovak Uprising of 1944, but which has since drawn in all reactionary groups and individuals whose anti-socialism, anti-semitism, opposition to the Soviet Union, Slovak autonomism, clericalism and other such principles make it impossible for them to organise separately.

The unity of these parties shown in May 1945 weakened later for the same reasons that coalitions broke down elsewhere in Europe. Fear of communism, enhanced by the prestige which Soviet occupation at first gave to the Communist Party, was important. So was the unhappy experience with occupation by the Red Army. No army of occupation is ever loved by the population on which it is quartered. Looting and rape are common to occupying forces of whatever nationality, and Marshal Malinovsky's divisions were by no means

the politest and best disciplined of armies. Another factor was the infiltration into the more conservative parties of members of pre-war parties now outlawed for complicity in the events surrounding Munich. Whatever the actual influence of these men on the policies of their new parties, their presence was bound to raise mutual suspicions. The pre-war ideological differences on economic issues thus revived, but with two differences. The political lines once drawn on the issue of socialism versus free capitalism are now drawn on the question of how much socialism and how much private enterprise, and they are being strengthened by the existence of the same differences in the power struggle in the larger world outside Czechoslovakia.

Yet in Czechoslovakia the coalition has only loosened, not broken apart. In part this is attributable to the disappearance of the parties of the extreme Right, whose members now have no voice in the Government except insofar as they can influence particular parties by joining them. Excepting only elements of the Slovak Democratic Party, the political parties of the new Czechoslovakia therefore represent only liberal and socialist tendencies and have a long tradition of support of legislation for social welfare and other types of government interventions in economic life. A second fact is that the extreme Left is less doctrinaire than it is in most countries and knows that the economy of Czechoslovakia is heavily dependent on world-wide contacts. The third fact, of at least equal importance, is that the economic measures being advocated by even the most left-wing of the socialists involve no basic departure from Czechoslovak tradition. Nationalisation, land reform, social protection, economic controls are neither new ideas nor new facts in Czechoslovakia. What may be new is the extent to which they are being carried and the purpose for which they are used. And it is on these questions that the differences arise.

Because differences of opinion do exist on the methods by which the Government should attain its economic and social objectives, every economic measure hitherto decreed or enacted has been the subject of long debate and finally of compromise between the parties of the National Front. On each question, all the organised pressures of the Republic have been brought to bear before a compromise has been worked out. If in most cases the outcome seemed closer to ideal socialism than to ideal free capitalism, the fact may be attributed

both to the general support of the whole population and to the greater strength of the socialist parties and of the trade union movement, which is probably the most powerful pressure group in the country. And the pressure from all sides is being constantly applied, in the press, in parliament, among the public. Despite the limitations on the press, on the radio, and on free association, there is evidence to warrant the statement that the Czechoslovak Government is, at least now a government susceptible to pressures and that its work is the result of a compromise of the pressures that are brought to bear on a proposal at any particular moment.

The unfolding of economic policy since liberation offers sufficient evidence of debate and compromise. It required almost six months to prepare the nationalisation decrees. While there was agreement on mines and public utilities, the matter of large enterprises of other industries had to be thrashed out in party discussion. Nor, when it was decided what industries and enterprises were to be nationalised, was the matter done. Problems of the relationship between this new public enterprise and the remaining private enterprise had to be solved, for obviously public enterprise could be so handled as to prevent any effective competition from private firms, thus killing the latter. These (and others) were not technical problems; they were questions of policy affecting the role of private property in the State.

It was a simple matter to agree that German property was to be confiscated and that German-owned land should be divided among Czechs and Slovaks. But the debate still goes on as to the disposition of German-owned industrial property too small to be nationalised and therefore still in the hands of national administrators. The marxists believe such firms and factories, if they are not too small and inefficient, should be absorbed into nationalised enterprises; the liberals believe they should be sold to individuals. An effort was made to resolve the problem in March 1947. It was indicative of the pressures on the Government and of the efforts of the political parties to compromise with each other. At a meeting of the National Front with representatives of the Central Council of Trade Unions, the following resolution was passed. The National Front recommended that the Government instruct all national committees that changes in the status of property under national administration should take place in accordance with the law and the public interest and with due care for 'the rhythm of production,' and that in no

case should a decision be made without first hearing the views of the Central Council and of the various professional organisations. Where an agreeable solution cannot be reached, the case should be submitted to an all-party committee of the appropriate Ministry. If a unanimous decision cannot be reached, the case should then go to a committee of the Prime Minister's office consisting of all parties, in proportion to their representation in the Government. The decision of this committee will be presented to the Government. Neither of the two types of committee should take a decision without hearing the Central Council. If a definitive solution of the problem cannot be reached under existing law, the Government should present a bill to the National Assembly to cover the case in question.

The parties of the National Front declared that during the period of the Two-Year Plan (1947 and 1948) no new measures of nationalisation should be submitted to the National Assembly. They declared that property under national administration should be incorporated into nationalised enterprises if they can help complete the production programme and bring about a lowering of production costs and therefore of prices. Public administration and communal corporations should receive any property necessary for the completion of their appointed tasks. The remaining confiscated property should be sold to co-operatives or individuals, or liquidated.

Finally, the parties 'decided in the interest of order and of the success of the Two-Year Plan to do everything possible to avoid trouble in work, and especially strikes. The parties of the National Front declare that each useless strike prejudices our economy.' They therefore thanked the Central Council for pledging the labour movement to refrain from useless strikes and for declaring itself opposed to 'partisan terror.'

The subject matter of this resolution, the disposition of confiscated property, indicated that the problem of continued socialisation was a major issue between the parties. That a meeting of the National Front (which is, in a sense, a higher authority than the Government) concerned itself with the matter in March 1947, was evidence that the issue had become serious enough to call for consideration at the highest level. The fact that the Central Council of Trade Unions was present, as well as the prominence given to that body in the resolution, suggested the power of the labour movement in Czechoslovakia to-day as a pressure group seeking to drive the Government

further to the left. Finally, it is notable that the desire to maintain 'the rhythm of production' lay at the heart of the final recommendations. Whatever the views of the individual parties, on that one point they could unite in a joint resolution. The compromise was not, of course, a settlement of the issue. Under the guise of maintaining production, each party could continue to press its own programme.

It is interesting that at the close of the meeting and in the face of the resolution just passed, the Central Council declared that commercial houses as opposed to production establishments) under national administration would not be returned to individuals, that it would present to the Government a law on the subject (which would probably mean nationalisation), and that it would present another bill regarding nationalisation of Czechoslovakia's curative resources.

Controls over foreign exchange and trade are subject to the same type of discussion. While resources are short, there can be and is agreement on a measure of control. But the range of control is still debated, for it too can be used as a means of subduing the remaining private enterprise of the country. Nor is public finance free of the necessity of compromise. The need for simplifying the Czechoslovak taxation system has been taken as an opportunity for using it as an instrument of socialism. Thus the Communist Minister of Finance has introduced a measure to apply a purchase tax on all articles, and to graduate the tax in accordance with the social usefulness of the commodities. Bread might have no tax or might even be subsidised, while perfume or a fur coat would be heavily taxed. Similarly it is planned to vary income taxes in accordance with the social usefulness of the source of the income, wages thereby being more lightly taxed than income from shares and bonds. The implications of the proposed system are lost neither on the doctrinaire socialists nor on the advocates of freer enterprise and are being debated in those terms.

The many specific questions resolve themselves into four parts. The first concerns public ownership of the means of production. On this there is a clear split between Right and Left on the limits of public ownership. The second concerns public planning of production and control of the national economy. The same split occurs here. The third concerns protection of the standard of living and social security. On this there is little divergence of opinion. The fourth involves the nature of the institutions to be established to carry out and assure the first three, for all parties are aware from the

history of Czechoslovakia itself that administrative bodies can either carry out or destroy the real intention of a reform or even of a revolution. On this question, the lines are not clearly drawn. The Communists tend to place their faith in the power of the local national committees, while the other parties advocate the confirmation of the power of parliament vis-a-vis the national committees on the one hand the Government on the other.

The necessity for compromise may be a weakness in the sense that its results are inevitably a patchwork. But it is also a source of strength since it assures at least a minimum of political support from all quarters of the population and a minimum of continuity with traditional forms and modes of thinking. Movement towards socialism thus becomes a matter of groping ahead: moving in a specific direction, but at an uncertain speed. And while the movement continues, private and public enterprise live side by side.

There is no doubt that in the interplay of political forces since the liberation, the parties of marxist socialism have had the greatest weight. Specifically, the Communist Party has been the driving force of the Government and of the movement towards socialism. At the end of 1946, there was a widespread feeling that the Communist Party was losing ground, but it was equally agreed that its losses were chiefly the gains of the Social Democratic Party. It is significant of the tone of the country that the marxist coalition retains its power as a whole, but that power within the bloc shifts to the party with the greater tradition of parliamentary democracy. It would seem that if the majority of the country are convinced of the necessity or the desirability of socialism, they are no less concerned with the maintenance of democracy.

CHAPTER 4

THE NEW CONSTITUTION

THE writing of a new Constitution is the primary function of the Constituent National Assembly. Committees are already at work drafting an organic law. In his first statement to the Assembly, the Prime Minister outlined the main considerations that must go into the new Constitution. 'Following the democratic principles of the present (1920) Constitution,' he said, 'the new one must take into account above all the results of the struggle against the occupationists . . . and the conditions as they have developed in the reconstruction of our liberated Republic up to now.'

The first of these considerations was the new type of public administration. 'The new Constitution must ensure the popular, genuinely democratic character of our public administration on the basis of National Committees.' This will involve the 'decentralisation, modernisation, and simplification' of the civil service and the exact definition of the functions of national committees in public administration. It will also mean breaking the tradition of the Austro-Hungarian bureaucracy which continued even in the Republic to pervade the Czechoslovak civil service. 'The bureaucratic and police system of State administration must disappear from our life forever.'

The Czechoslovak Government in London revolutionised local self-government when, in December 1944, it decreed the establishment of 'national committees' as new organs of local government. Before the war there had been three levels of local government in Czechoslovakia: provincial, district and communal. Each had its own elected bodies for the administration of certain functions within its jurisdiction. The administration of provinces and districts, however, was shared between officials of the central Government and of the locally elected Governments. In the case of the former, the Provincial Governors and one-third of the members of the Provin-

cial Diets were appointed by Prague; and the Governor's powers enabled him effectively to control provincial administration. In the districts, self-governing bodies and elected officials were similarly subordinated to a District Governor and bureaucracy responsible to the central authority. There was no such parallelism in the case of communal administration, although a distinction was made between functions inherent in the commune and those delegated to it by the central government. All of them were carried out by locally elected officials, and the powers of a Communal Diet—stemming from the medieval tradition of free cities—were broad.

This centralised administration of pre-Munich Czechoslovakia, founded in part on nationalist reaction to Hapsburg authority and in part on fear of separatism, was easily and thoroughly Germanised during the occupation. It was apparent during the war that it would have to be changed. In April 1944 the Czechoslovak Cabinet in London issued a declaration urging the population of the country to elect national committees in communes, districts, and provinces to take over the tasks of local administration as soon as the Germans had withdrawn. The main function of the committees was to deal with problems of law and order and particularly to remove disloyal persons from positions of authority and even from the community itself. The committees, frequently born in the underground, came into the open as the forces of liberation made their way eastward and westward across the country. Decrees of December 1944 and September 1945 provided certain regulations for the operation of the national committees and entrusted them with the task of electing the Provisional National Assembly in October 1945.

In the first months after liberation, the national committees wielded extraordinary powers, for no other authority existed and they expressed the first elation of self-government after German oppression. In time they organised in communes, districts, and provinces, and were granted broad powers of administration, both in local affairs and as arms of the authority of the Government. Confiscations and the allocation of property were in their jurisdiction. No home or flat could be obtained without the proverbial 'decree' of the local national committee. Their power was frequently used tyrannically. In many cases the worse elements of the local population made use of the chaotic situation to enhance their personal power and prestige. Occasionally the use of their powers to confiscate, to proscribe, and

to bring to trial, illustrated the principle that the tyranny of one's neighbours can be as effective as that of an alien authority. As late as January 1947, one national committee ordered all German markings eradicated from tombstones, no matter how old, else the stone would be sold at auction; and whoever came forward to claim a tombstone and eliminate the markings would have to prove that he was not a German subject to expulsion.

In proportion as the authority of the central Government in Prague spread and as order was established, however, the abuse of the power of national committees diminished. The first national committees consisted of those who were in a position to seize power in a given locality; gradually their membership was divided among the various political parties; not until after the May elections did they accurately reflect the populations they represented. In general they now apply themselves to the functions for which they were intended. Nonetheless, there remain isolated instances which concern the authorities of Prague, who find that the law of Prague is sometimes not the law of a particular community. The Prime Minister, in January 1947, cautiously referred to the fact that 'experience proves the necessity of defining in detail their jurisdiction and their competence.'

An article in one Prague newspaper (*Pravo Lidu*), in late September, expressed both the hopes and the fears of many Czechs when it said that national committees must exercise their great powers 'wisely and justly, with due respect for the law. As regards the personal responsibility of members, departmental heads and chairmen of these Committees, there is as yet no responsibility analogous to that of civil servants and public officials who are subject to their service code and disciplinary action. Members of National Committees must have a similar responsibility.'

President Benes has pointed out that the establishment of self-government on a foundation of national committees was considered when the first Czechoslovak Constitution was written, but the proposal was rejected because of the presence of the German and Hungarian minorities. It is now the general conviction that the time is ripe for the fullest measure of self-government and for the decentralisation of authority on democratic lines. The national committees are intended to fulfil this conviction. They are more, however; for the parties of the Left (the Communist Party in particular) have placed their faith in the national committees as the instrument of

the people's will. To the Left, they are the guarantee of democracy.

The second major function of the Constitution was to guarantee that the new Republic would be a national state of Czechs and Slovaks, and that no other nationalities would be allowed to participate in public affairs. The new Constitution must recognise Czechs and Slovaks as independent nations. While the unity of the Republic must be strengthened, the rights of the Slovaks to their own legislative and executive organs must be guaranteed.

The most delicate and difficult political problem facing Czechoslovakia to-day is the relationship between Slovakia and the central Government. Slovakia and the Czech Lands are two areas speaking quite similar languages but having different histories and political traditions. They have a deep-rooted and intense distrust, sometimes amounting to antipathy, for each other. A thousand years of separation, during which political and economic development went off on different tracks, were neither forgotten nor overcome after the establishment of the Republic. On the contrary, Slovak separatism, fed by a reactionary clergy and by foreign propaganda, was an important factor in the destruction of the Republic in 1939.

The hope was common that, in the crucible of the Second World War, the antagonism between the areas would be eliminated. The Slovak uprising of the Fall of 1944 gave strength to the hope. Unfortunately the war experiences of Slovakia and of the Czech Lands were poles apart. Slovakia maintained its technical independence, while the Czech Lands were ground under the heel of German Protection. Slovakia, always a bread basket, never suffered food shortages and never had to submit to the rigid rationing system that was imposed on the Czech Lands in 1939. The confiscated property of Jews and of politically unreliable citizens was in Slovakia given to Slovaks, while in the Czech Lands it was given to Germans. The whole of Czechoslovakia is predominantly Catholic, but the Church hierarchy in Slovakia is reactionary and maintains a firm hold on the population, while the Czech hierarchy has a liberal tradition in which John Huss is more a present reality than a memory. Finally, in an area accustomed to a caste system, anti-semitism could and did make deep impressions, for it allowed a people accustomed to suppression by a foreign aristocracy to find a group beneath itself. In the Czech Lands, anti-semitism occasionally appears in subtle form; in Slovakia it is blatant and epidemic. Slovakia is intensely anti-Soviet and

anti-Russian—under penalty of excommunication, as more than one Slovak priest put it during the election campaign.

So important was the Slovak problem in the minds of both Czech and Slovak leaders, that it was a major subject of study and debate during the war and has continued to be ever since. An effort was made to solve the problem in the Kosice Programme, in which Czechs and Slovaks are defined as two distinct nations united by common interest in a single State. This is in itself a complete reversal of the ethnic theory on which the first Republic was built: the belief that Czechs and Slovaks constituted a single nation. The Kosice Programme further provided that 'the Slovaks should be the masters in their Slovak lands, just as the Czechs in their Czech homeland' and that the Government 'will regard the Slovak National Council . . . not only as the rightful representative of the individual Slovak nation, but also the bearer of sovereign right on Slovak territory.'

Thus the Slovak National Council, a product of the resistance, was recognised as the *de facto* authority, without whose approval no law of the Government was valid in Slovakia, even though Slovak representatives in the Government and the National Assembly helped enact it. There is a Slovak Committee of Trustees, paralleling the Ministers of the Central Government and acting as the executive and administrative arm of the Council. The new theory has also been given practical form in the separation of Slovak and Czech political parties. Before the war, parties had no legal geographical limits; to-day each area has its own parties, which cannot recruit members in the other. Even the Czech and Slovak Communist Parties maintain the fiction of independence though they adhere to precisely the same platform.

During 1945 and the early part of 1946, the Government was frequently embarrassed by the independence of Slovakia. Decrees and laws were sometimes not applied in Slovakia or were applied indifferently, notably those prosecuting fascists and restoring property confiscated during the war. The Government occasionally found, too, that it was unable to obtain detailed information on Slovakia, where a separate Statistical Office refused to report to the State Statistical Office in Prague. It was difficult to explain away the pogroms that occurred in Slovakia in late 1945. Most important was the general knowledge that many men formerly associated with the fascist Slovak Republic continued to hold political office in Slovakia,

and had found their way into the inner circles of the Democratic Party.

The distrust was sharpened and broke out into open conflict as a result of the May election. The Communists had emerged as the strongest party in the Czech Lands ; but in Slovakia, while the Communists polled 30 per cent. of the votes, the Democratic Party received more than twice as many. Less than a week later the national football team of Bohemia-Moravia defeated the Slovak national team in a match at Bratislava. A riot occurred on the field which spread into the streets of the city itself. Interpreting these events as a manifestation of Slovak separatism and of anti-Czech sentiment, Slovak trade unionists organised a strike and demonstration of protest in support of a united Republic.

In the weeks that followed, the press of the country was full of accusations and counter-accusations. The Czech socialist press generally took the view that the football riots were anti-Czech and represented a dangerous revival of separatism precipitated by the results of the election. The Communists were more specific. They adduced evidence that the victory of the Democratic Party had been the result of intimidation by the Catholic clergy and of a deal with the war-time fascists who had thrown their electoral strength behind the Party. They also claimed to have proof of the existence of a new underground organisation of Slovak separatists. A commission sent by the Communist Minister of the Interior to investigate the election campaign and its aftermath issued a report purporting to contain documentary evidence of these accusations. The Communists demanded, therefore, that the Slovak elections of national committees be invalidated and that measures be taken to assure the subordination of the Slovak National Council to the Central Government.

Slovak leaders and their press, exclusive of Communists but supported by some conservative Czech newspapers, denied the accusations that fascists had filtered into the Democratic party, protested their loyalty to the Government, and stated that the football riots had been no more than an unfortunate release of emotion produced by the disappointment of defeat.

The immediate upshot of these events was a new agreement between the Government and the Slovak National Council, the third since the Kosice Programme. It was agreed that the Slovak National Council could legislate only on matters which do not effect the whole of the

Republic. Whether or not a proposed measure affects the interest of the whole Republic would be decided by the Government. The executive powers of the Slovak Committee of Trustees are limited to the decrees promulgated by the Slovak National Council; in all other matters the executive power in Slovakia rests with the central Government, to which the Committee of Trustees is subordinate. The Trustees are to be appointed by the Slovak National Council with the consent of the Government, and will be responsible to their corresponding Ministers. The agreement stated that the national economy must be under the unified control of the Government. The President is empowered to appoint high-ranking civil servants, professors, and judges in Slovakia, as in the Czech Lands; officials of the Czech Lands appointed by the Government are in Slovakia to be appointed by the Committee of Trustees with the prior consent of the Government; and officials appointed by Ministers will in Slovakia be appointed by the corresponding Trustee who will inform his Minister. Finally, it was agreed that the Slovak National Council and district and local national committees would be reconstituted on the basis of the May elections.

The new agreement was in effect a compromise which met the demand of the Democratic Party by recognising the validity of the May elections and at the same time met the demand of the Communists (and the Czechs generally) that the Slovak National Council and Trustees be subordinated to the authority of Prague. But it represented a respite rather than a solution. In the latter part of 1946 and the first months of 1947, debate grew ever keener and centred on Slovakia's place in the State under the new Constitution and particularly on the speeches made in America by Dr. Josef Lettrich, the Chairman of the Slovak National Council, who happens to be also the head of the Slovak Democratic Party. Forecasting the imminent breakdown of the National Front, stating that Slovaks were disappointed with the Kosice Programme, and emphasising the necessity for Slovak 'autonomy,' his addresses were read in Prague as hints of separatism. They set off a new train of debate on Slovakia's position in the State, with suggestions running the gamut from autonomy to federalism to a centralised state. Dr. Lettrich went so far as to demand the recognition of the Slovak National Council as a Slovak National Assembly. At the same time (and inconsistently) he asked for the establishment of a board of

arbitration which, standing outside of and above the Constitution, would pass on all questions of jurisdiction between Slovakia and the Central Government.

The heat grew great enough to draw from President Benes the explicit statement that the establishment of an independent Slovakia was forever out of the question. In February, in the course of an interview which is as important for the fact that he had to make it as for its content, he made the following points :

1. There must be a definitive solution of the Czech-Slovak problem now. It can no longer be postponed.
2. Czechoslovakia will not survive another crisis on this issue.
3. Separation from the Czechs would not mean independence for the Slovaks. On the contrary, they would fall to the Soviet Union, which would not be a happy solution for the Slovaks, the Czechs or the Russians.
4. The Czechs themselves would not approve an independent Slovakia, for, being neighbours of 65 million Germans, they must in self defence have a common frontier with the Soviet Union.

The fact is that, whatever the impulses that precipitated the football riots and the many expressions of distrust and autonomy, Slovak tradition and economy stand as a barrier between Slovaks and Czechs, that officials of the fascist Slovak Republic still hold positions of authority, that a reactionary clergy is still powerful in Slovakia, that the Democratic Party is the most conservative of the country's major parties, and that it draws heavily upon the remnants of the now outlawed clerical-fascist parties. The Democrats, who constitute a majority of the Slovak delegates, will hold a key position in the National Assembly, for on all questions affecting the constitutional position of Slovakia the passage of a law requires the support not only of a majority of the Assembly, but of a majority of the Slovak delegates in the Assembly. While these conditions remain, the Slovak problem will continue to be a threat to Czechoslovakia. Yet the new Constitution must be written within the coming year. It will take the utmost of compromise and statesmanship to make the Constitution strong enough to resist the remnants of Slovak separatism and reaction, yet adaptable enough to provide for the conditions which will eliminate both.

The new Constitution must embody the economic programme

launched after liberation, including the nationalisation of banks, insurance companies, joint-stock companies, and large-scale industries. 'On the other hand,' reads the Government programme, 'the Constitution must give protection to small and medium-sized private enterprise, and especially the legitimately acquired property of our farmers, tradesmen, shopkeepers, and all other persons and corporations must be safeguarded.' It must guarantee the right to work, to be educated, and to social security.

The new Constitution must also recognise the full equality of women, the independence of the judiciary, and personal and civil liberties as they are guaranteed by the present Constitution. There are already signs that the debate on civil liberties—centring around the press—may be one of the most acrimonious involved in the drafting of the Constitution.

It is generally conceded that a free press is a necessary condition of democracy, but a free press is difficult to define. It is subject to as many definitions as there are conceptions of democracy. While all observers agree that the Czechoslovak press is the 'freest' in Central or Eastern Europe (which in itself is not a compliment), there has been considerable controversy, both by foreigners and by Czechoslovaks, as to whether the Czechoslovak press is free. In view of the differences in definition, it would be better simply to describe the position of the press than to measure it on some personal standard.

No newspaper or journal may operate in Czechoslovakia to-day unless it is the spokesman of a political body or of a properly organised and officially recognised association of many people (cultural, economic, veteran, etc.). That is, an individual cannot publish, nor can a privately organised company. The principle behind the fact is that, so great is the social power wielded by a newspaper that it must not be controlled by an individual or by a private enterprise; it must be the expression of a large group of people. Only in this way can society be assured that a newspaper is a responsible document, and not the voice of an irresponsible and perhaps dangerous individual. With few important exceptions, the Czechoslovak press is a violently partisan press and spokesman of particular political or other interests.

This change in itself is not a serious departure from Czechoslovak tradition. Before the war, although individuals had the right to publish newspapers, most of them were published by political parties

and other collective organisations as the voice of their particular points of view. It does not, moreover, constitute a serious limitation on the press. More serious is the fact that no group of persons may combine in an organisation (and therefore be able to publish a newspaper), unless it adopts the programme of the National Front Government. This at once marks out the boundaries of criticism. It is possible to criticise the Government, but not the general programme, only its application and the activities that take place within the limits of the programme. The National Front programme is sufficiently broad and vague, however, to afford considerable latitude for criticism and debate. Of this there is sufficient evidence in the plentiful polemic that appears in the daily press directed against Government officials and against opposing political parties and their organs, though all of them adhere to a common programme and co-operate in the same Government.

There is no direct censorship of the domestic press. Books may be printed by any publisher, though books, too, are limited by the injunction that they must not oppose the principles of the National Front, and any publisher must on request submit manuscripts to a section of the Ministry of Information which was established, not by the Government but by the publishers themselves as a means of self-restraint required by the delicacy of Czechoslovakia's international position. Both in the press and in radio (which is entirely government-owned and controlled as it was before the war) the Ministry of Information exercises great power through its news distribution agencies and by the allocation of newsprint. Thus the press and the radio in general are subject to the same overt limitation that governs public combinations of any kind in Czechoslovakia: they must be pledged to general collaboration with the Government; beyond that they are free to criticise, and over them at all times is the potential exercise of the power of the Ministry of Information.

The foreign press has no limitation. Correspondents come and go freely, and their despatches are subject to neither examination nor censorship. Nor is there any limitation on foreign newspapers or books (except, in the case of the latter, the necessity of obtaining foreign exchange allocations). At almost any street-corner newsstand in Prague or in other large cities, anyone may freely buy newspapers in any European language, and ranging from *Pravda* to the *Daily Mail*, from *Izvestia* to *Time*. In any large bookstore he

may buy books in English, French, German, Russian, Polish, or Serbian. Foreign nations have their information services in the streets of Prague, with libraries and reading rooms open to everyone and with show-windows invariably watched by passers-by. Czechs and Slovaks are free to join societies of friendship for the Soviet Union, Great Britain, the United States, or any other country. While these societies, too, must adhere to the domestic and foreign policy of the National Front, it is inevitable that in their discussions they strain the limits of the Government programme.

Whether or not this is freedom is, and of course has been, open to debate. The Catholic newspaper *Obzory* maintained that, though there was no censorship, the Communist Party influenced opinion through its control of the Ministry of Information and of a disproportionately large part of the public press. The Communist reply was obvious. When, in September 1946, the American Government reacted vigorously to a Communist press campaign, the Communists were asked by the liberal or conservative newspapers to be quiet. The reply was, we have a free press. In February, 1947, the shoe was on the other foot. The Soviet Ambassador officially protested against alleged anti-Soviet remarks in the official organ of the People's Party, which was then told by the Communist press to be quiet. The reply was the same. If the editorials of the past six months are a test, there would seem to be few practical limits to criticism.

A British All-Party Parliamentary Delegation which visited Czechoslovakia in July 1946, reported laconically that 'some of the Delegates found this (system) alien to their conception of a free press and others considered that the citizen was in this way better served than in Britain.'¹ It seems likely that the system will be written into the Constitution.

The new Constitution will in general have the double purpose of reconciling the nation's traditional personal liberties with new ideas of social democracy in general, and more specifically of legalising the economic, political, and administrative changes that occurred during the first year of liberation. If these measures are in reality written into the Constitution—and there is every reason to believe they will be—the new Republic will differ from the old fundamentally in several ways.

¹ *Report on Czechoslovakia, by the British All-Party Parliamentary Delegation*, British-Czechoslovak Friendship League (London, 1946), p. 6.

The State will be decentralised, instead of centralised. This will be affected by allowing Slovakia a considerable degree of autonomy, and by providing for more direct and more far-reaching lay participation in local government at the expense of the bureaucracy which previously spread down from Prague into the last small corner of public administration. The statement of Slovakia's relationship to the Republic will be the most difficult problem facing the drafters of the Constitution.

The new Constitution will guarantee certain social and economic rights. It will provide for a mixed economy, in which a limited range of activity will be allowed to private enterprise and to public ownership. In the tradition of the Western constitutions on which it was modelled, the first Czechoslovak Constitution had given the utmost protection to private property and had left no doubt of its unstated assumption that the Republic was to be based on a foundation of capitalism and private enterprise. As in the Western countries, however, events had proved the inadequacy of the simply liberal Government. During the first twenty years of the Republic, legislation had been enacted to provide the kinds of protection to individuals which the Constitution had not guaranteed, with the result that Czechoslovakia came to be known as one of the more socially progressive countries of pre-war Europe. Even these measures are now considered inadequate. President Benes put the point bluntly in one of his war-time addresses when he said that 'present-day bourgeois democracy has lacked the courage and the capacity to resolve the chief social problems in a more thorough-going and systematic fashion and to intervene in the economic structure of modern society as vigorously as is demanded by the nature of the State and society of the beginning of the twentieth century.' Thus the old Constitution will be tempered with new social and economic ideas embodying the experience of Czechoslovakia during its brief 29 years of life and will be based primarily on the assumption of socialism rather than private enterprise.

Finally, the new Government, based on a State of only two nationalities of equal rights, will no longer make the provision it once made for the political rights of minorities. For better or for worse the Czechs and Slovaks now accept the old maxim that a state of many nationalities cannot preserve its freedom.

Certain constitutional problems were not mentioned by the Prime

Minister in his plan for the Constitution, but they will inevitably be raised when the document is drafted. Foremost among them is the question of political parties. How will their number be limited? That the number of parties will be limited is certain. Limitation in such a way as to preserve two fairly well defined and evenly balanced blocs (as there are now) will assure greater responsibility by those in power and greater vigilance by those in opposition, for the threat of replacement, the 'swing of the pendulum,' will always be present.

A second problem will involve the judiciary. How will the ideal of an independent judiciary be reconciled with the wish of to-day's dominant party that the courts follow public opinion? Thirdly, with their memories of Hapsburg despotism still strong, the draftsmen of the old Constitution severely limited the powers of the president. Yet in the thirties the president came to wield a considerable influence on affairs. This development was in part the result of the personalities of the two great men who have held the presidency, and in part the result of the necessity of having a balance and arbiter for party conflict. The draftsmen of the new Constitution will have to decide, first, whether the new political situation calls for a strengthening of the president's powers and, second, if it does, whether the president's new position should be made constitutional or whether it should be allowed, as before the war, to be an extra-constitutional growth rising out of current exigencies.

The function of most constitutions has been to place limits on the powers of Government. This is not a quality inherent in constitutions. It is rather the result of the fact that constitution-writing began in the age when economic liberalism became the dominant philosophy of the West and when the commercial bourgeoisie became the ruling class of society. The constitution was its charter of freedom from the medieval controls that hampered business. Guarantees of personal liberty have sometimes been afterthoughts; frequently they have been made inoperable by economic realities. Constitutions so conceived have not always been able to adapt themselves to new conditions of life in an industrial society, and they have sometimes become not charters of freedom for the masses of people but instruments of control by small groups.

This realisation is uppermost in the minds of the Government in preparing the new Constitution of Czechoslovakia. The reconcilia-

tion of personal liberty and of the extensive and all-pervasive government activity required by modern society is the main problem and cannot be achieved without the complete assurance, not of controls over government, but of democratic participation in it. An effective Constitution must be adaptable, but that very characteristic is a double-edged sword. When government plays the dominant role in society, the Constitution may easily be adapted to assure control by an elite. The ultimate assurance against such an event is the tradition and the will of a people. In that fact lies the main hope that Czechoslovakia will make its constitutional reconciliation successfully, for the Czech people have behind them a long tradition of political consciousness and of protest against tyranny.

PART TWO

CHAPTER 5

ECONOMIC PROGRESS SINCE LIBERATION

PRAGUE, the heart of Czechoslovakia, was a grim and silent city in the summer of 1945, and a grimmer and colder one in the winter that followed.

It was in mid-September, four months after liberation, that I flew into the airport of Ruzyně in a two-passenger cub plane. In Paris I had tried in vain to find an airline or a railway that would take me to Czechoslovakia. The only contact was an irregular courier plane to the American Embassy. I managed to fly to Frankfurt, where I persuaded the Office of the American Political Advisor for Germany that I was qualified to carry a diplomatic pouch. With my baggage and the official mail, the small two-seater was grossly overloaded. But we reached Prague and landed in an airfield deserted except for a few Russian military planes. There was no immigration officer and no customs inspector. Nor was there any means of transportation into Prague. Czechoslovakia and Prague were isolated from the rest of Europe.

The Golden City, the Rome of the North, was at this first sight a disappointment. Its shops were empty; its inhabitants ate sparsely and monotonously; its streets were dark at night and few people walked on them either by day or by night; it was as common to see an American or a Russian soldier as it was to see a Czech. The people seemed dazed, from reaction either to the arduous days of occupation that were over, or to the shock of liberation; their morale was low, and they did little work.

A year later, when I left Prague, I was taken to a bustling airfield in a bus belonging to the Czechoslovak State Airlines. I flew to London, but I could have flown to almost any capital in Europe. Had

I wished, I could have gone to Wilson Station, rather than to the airfield, and from there travelled by Wagons-Lits to Paris, Rome, Vienna, Belgrade, Budapest, or Warsaw. The capital had become one of the few normal cities of Europe, and one of the gayest. Within a year it had been transformed from a dreary city to a tourist's mecca.

The population of the country was working. It ate better and more food than any of the formerly occupied countries of Europe, with the exception of Denmark. The shops were full of goods, though prices sometimes made them prohibitive. People no longer shuffled along the streets, but walked and acted with vigour and enthusiasm as though they were now certain of the fact of freedom and the prospect of plenty, which a year before seemed still an illusion. Not even the record cold wave of the winter of 1946-47, and the fuel shortages and other discomforts it created, could deprive Prague of its cosmopolitan aspect, or its people of their morale.

This improvement in spirit and in physical aspect had a solid economic foundation. The summer of 1945 had brought forth a lamentably small harvest; in 1946, crop yields were considerably better. In May 1945, industry was at a standstill; by the end of 1946 it had reached about 80 per cent. of its 1937 level. In the month of liberation, foreign trade was reduced to an insignificant trickle; by December 1946, the value of foreign trade had risen beyond the expectations of even the most sanguine of the country's officials and had yielded a large credit balance. Czechoslovakia was trading with almost every country in the world and, judging from the credits that had been made available, was considered a good economic risk. Czechoslovak bonds were rising steadily on Wall Street and in the City. The country merited the accolade of those who pointed out that it had made greater progress in recovery than any nation in Europe, again excepting only Denmark and Belgium. It was certainly the paradise of Eastern Europe.

The rapid recovery of post-war Czechoslovakia was to a considerable extent due to two advantages it had over its neighbours. When the war started, it had a healthy, well-balanced economy. About a third of its population was engaged in agricultural activities and produced enough foodstuffs to make the country virtually self-sufficient, supply several important industries, and contribute to the export trade. Another third of the population was dependent on a thriving industry which not only supplied the home market, but was

the basis of the foreign trade on which the nation's production, employment, and standard of living depended.

In that belt of states which runs from the Baltic to the Adriatic and the Black Sea and which lies between the Soviet Union on the East, and Germany, France, Switzerland and Italy on the West,¹ Czechoslovakia generally stood second only to Austria in any statistics relating to the wealth and health of the populations either as individuals or as nations. Austria aside, Czechoslovakia had the highest per capita national income and the highest real income per head of working population. It used the most fertilisers and agricultural machinery, and its agriculture was the most productive. Its yields were among the highest, and its output of meat per unit of agricultural land was the greatest. Its population therefore ate, on the average, more sugar, meat, milk and cheese, fats, eggs, vegetables and fruits. It was the most industrialised and had the largest proportion of its population engaged in industry. It had the largest steel and textile production capacities and the largest output of electric power per head of population. Its population, per head, consumed each year more cotton goods, paper, soap and radio sets.

Czechoslovakia had the densest rail and roadway network. Its inland waterways and railroads carried the heaviest volume of freight. It had the greatest number of motor vehicles, and the smallest number of persons per motor car. It had the largest volume of foreign trade.

In proportion to population and to national income, the State expended the greatest quantity of money on education and on social services. It had the lowest per capita public debt. Only Bulgaria had a lower per capita foreign debt or saved each year a larger proportion of its national income. It had the lowest death rate. Between the upper and lower income brackets, there was the least difference in the pattern of consumption, and consequently the least social stratification.²

Czechoslovakia's advantage over the other nations of Central and Eastern Europe was based on the sound structure of its pre-war economy, but it was confirmed and strengthened by the fact that, in terms of physical damage, Czechoslovakia survived the war in better condition than its neighbours. The Germans had occupied the country

¹ Poland, Czechoslovakia, Austria, Hungary, Rumania, Yugoslavia, Bulgaria, Greece, Albania

² Political and Economic Planning, *Economic Development in S.E. Europe* (London, 1945), *passim*.

before the outbreak of war and had quickly succeeded in suppressing the main opposition and in absorbing the Czech economy into their own. They imposed effective rationing, price, wage and production controls. The geographical position of the country, moreover, spared it the physical devastation of actual fighting until the last few months of the war, when the Slovak uprising occurred and the Soviet Army entered Slovakia. Outright war damage was widespread and serious only in Eastern Slovakia, where the only extensive fighting occurred, and in a few Bohemian and Moravian industrial centres, such as Pilsen and Moravska-Ostrava, on which American bombers made a few raids in the last months before the surrender.

Though the volume of physical devastation was smaller in Czechoslovakia than in the rest of Central and Eastern Europe, it was nonetheless there. Like the other nations of Europe, Czechoslovakia emerged from the war with scars of occupation. When the German army collapsed in the Spring of 1945, it left behind disrupted transport facilities, damaged or destroyed buildings, roads and industrial plant, decimated livestock, little raw materials or food.³ Physical damage was most extensive in the field of transport. Hardly more than half the nation's pre-war supply of locomotives and only 18 per cent. of its freight cars remained in May 1945, and a large proportion of these were in bad condition. Bridges had been destroyed and roadways torn up, especially in Slovakia. The Danube and the Elbe were blocked and unnavigable. The port of Bratislava was in bad condition, and the Danube fleet was almost entirely in the hands of the Soviet and American occupation forces. The collapse of the transport system meant not only the isolation of Czechoslovakia, but the paralysis of its internal economy as well. Transport was second only to coal production as the nation's most compelling immediate post-war economic problem.

Aside from transport, the war had been most destructive to housing. It is estimated that about 125,000 living units were destroyed, most of them in Slovakia. To the need created by this outright loss must be added the accumulated demand of seven years without

³ See UNRRA, *Economic Recovery in the Countries Assisted by UNRRA—Czechoslovakia*, pp 97-118; UNRRA, European Regional Office, *Operational Analysis Papers*: No. 11, *Agriculture and Food in Czechoslovakia*, No. 16, *Industrial Rehabilitation in Czechoslovakia*, No. 17, *Transport Rehabilitation in Czechoslovakia*, No. 21, *The Foreign Trade of Czechoslovakia*

maintenance and repairs. With the end of the war, the country felt the effects of the same severe housing shortage that characterised every country in Europe.

Agriculture was affected primarily by the loss of draft power and the decline of fertility. The former was the result of the destruction or immobilisation of a large portion of the agricultural machinery of the country (more than half the tractors) and of the killing off of horses and cattle. Ten per cent. of the pre-war number of horses and 18 per cent. of the cattle were missing in June 1945. The percentage was small by comparison with many European countries, but sufficiently serious to affect the farmer's ability to do his work. The loss was particularly severe in Slovakia, where horses declined by 46 per cent. and cattle by 26 per cent. The decline in cattle was more than matched by the fall in the number of pigs and poultry, all of which meant a serious deficiency in meat, fats, and milk. The decline in fertility was the direct result of the inadequate application of fertilisers during the occupation. The effect of these losses was aggravated by the shortage of farm labour, by the decision to expel the German population, which threatened to leave the agriculturally prosperous borderlands unploughed and unharvested in 1945, and by an unfortunate drought.

The impact of these facts was immediately felt in the harvest of 1945. The area under cultivation in 1945 was below pre-war level in all crops except oil seeds (which under German pressure had been expanded during the war). In the all-important cereal crop, the cultivated area was only 85 per cent. of the 1935-37 average. Much more serious was the even greater decline of crop yields. The result was that the total cereal crop fell to only 60 per cent. of the pre-war level, and the production of pulses, potatoes, and sugar beet was even lower. The reduced livestock population and inadequate feeds reduced the yields and production of meat and milk.

The upshot was a food crisis in the year 1945-46. In the two months after liberation food rations reached their lowest point. UNRRA supplies, which began to arrive in large quantities in the Autumn of 1945, and commercial imports were necessary to bring the daily diet of the country above a mere subsistence level. In the 1945 crop year, UNRRA foodstuffs provided 12.4 per cent. of the calories, 16.6 per cent. of the proteins, and 22.3 per cent. of the fats in the Czechoslovak diet.

The impact of the war on Czechoslovak industry and foreign trade was less the result of outright damage than of distortion, the result of the colonial system imposed by the Germans.

During the occupation monetary circulation had risen from 8 billion crowns in 1938 to about 120 billions in the summer of 1945. Savings accounts had more than doubled, as they grew from 60 to 130 billions. The flood of paper currency raised purchasing power to an estimated 260 billions per year. To prevent the inflation inherent in such a situation, prices were rigidly controlled at a low level. The foreign exchange rate was made favourable to Germany (150 per cent. better than it should have been) so that Germany could drain Czechoslovak production. Despite the plethora of money there were few commodities to be bought and therefore little incentive to work. The combination of plentiful cash and commodity shortage produced a flourishing black market, in which prices sometimes mounted to 50 times their official level. Wages had been kept abreast of prices during the occupation, but the cost of living rose and the standard of living declined steadily as shortages forced reliance on the black market.

Banks, insurance companies, and co-operatives had been relieved of their real assets and received in their place German state bonds and credits in German banks, which by the end of the war reached a total of 300 billions—now a hopeless claim against Germany. The nation's gold and foreign assets were seized and depleted; financial assets were voluminous, but they bore little relation to real capital.

Mass changes in ownership had occurred, as banks and industrial enterprises had been taken over by German institutions or individuals and Germans placed in positions of management and control. The nation's key industries had been absorbed by the Hermann Goering Werke and the major banks, by the Dresdener and Deutsche Banke, which were then able to exercise the decisive influence on Czechoslovak industry as well as finance. The country was drawn into customs union with Germany, which could then control its taxation system. German commissioners and staffs from the Deutsche Bank were installed in the National Bank of Czechoslovakia.

Raw material stocks were negligible. Some industrial plant had been removed and some scrapped and destroyed, but the production capacity of other industries had been increased. To satisfy German war needs, the heavy industries of Czechoslovakia had been favoured

at the expense of consumer industries. The former grew beyond their pre-war levels and in some sectors came out of the war with greater capacity than in 1937, while the latter were forced into neglect and their plant and equipment allowed to deteriorate. There was a corresponding shift in the labour force, whose normal disposition was distorted as workers were shunted into pursuits designed to serve the purposes of the German war economy. By all the techniques of economic administration and planning, the Czechoslovak economy had been absorbed into the economic organisation of Germany. The result was not only a decline in consumption, but also a pattern of production and of effective capacity which bore little relation to the needs of Czechoslovakia.

Industry had a major problem of conversion which could be accomplished only in conjunction with new investment for the purpose of replacing worn-out and obsolescent equipment. But the problem was complicated by the paralysis of transport, the chaos of financial conditions, the rapid decline in coal production, and most of all by the shortage of manpower and the fall in labour productivity induced by war-time overwork and undernourishment as well as by the deterioration of equipment. Liberation had been followed, moreover, by a large-scale effort to escape arduous labour by moving from manual to clerical jobs, with the result that the ratio of workers to white-collar employees declined and the personnel rolls of local administration and of the central Government rose rapidly. As in the case of agriculture, the problem of Czechoslovak industry was aggravated by the expulsion of the Germans who had contributed a quarter of the country's pre-war labour force and had held key positions in finance and industry.

The immediate effect of liberation was a steep fall in production. And with the fall in production went a corresponding decline in foreign trade, for the nature of the Czechoslovak economy is such as to make the two mutually interdependent. Czechoslovakia had inherited most of the industrial capacity of the Austro-Hungarian Empire but less than a third of its internal market, and its industry was dependent on foreign trade for raw materials as well as for markets. To keep industry in operation, to make full use of its industrial crops, and to maintain employment required a vigorous foreign trade. The decline of production, the physical isolation of the country, the chaotic transport and economic conditions in Europe as a whole at

the close of the war, brought trade to a virtual standstill. At the same time, Czechoslovakia was exhausted of its foreign assets, so that the country could not rely on its pre-war accumulations of foreign exchange. In the first five months after liberation, the value of the exports of the country totalled only one-quarter of one per cent. of the average exports of a single month in 1937 and the value of imports, only two-fifths of one per cent. The seriousness of this collapse of trade is readily understood when it is realised that before the war, Czechoslovakia was one of the largest trading nations in Europe and that about one-third of its national income was derived from foreign trade.

The country's problem was further aggravated by the situation of Slovakia, whose war-time experience had not paralleled that of the Czech Lands. Although only technically independent, Slovakia's economy had escaped most of the rigours of German exploitation. Industry had expanded, there had been no rationing system, and the population had been relatively prosperous. But in the last phase of the war, Slovakia had been subjected to widespread damage and destruction. Whole villages had disappeared; the 800,000 people of Eastern Slovakia were in desperate straits. Though Slovakia was reunited with the Czech Lands, a wide breach remained between them. In the former were a rigorous rationing system and an effective bureaucracy; in the latter were neither, and political conditions made it impossible to extend the Czech administration into Slovakia. Prices were about 70 per cent. higher in Slovakia than in the Czech Lands. Local abundance of foodstuffs in some parts of Slovakia not only meant maldistribution in the province itself, but also an illegal flow of supplies to Bohemia and Moravia.

In the face of these difficult economic problems, work was the great need, but the easy money available from the war period, the confusion of 'liberation' with 'holiday,' and the accumulated fatigue of war-time strain reduced the will and the ability to work. The food deficiencies and economic stagnation of the Summer of 1945 made it obvious that liberation did not in itself mean paradise regained, and that realisation brought with it an equally obvious collapse of morale.

The immediate answer to the nation's needs was of course UNRRA relief. During 1945 alone, 293,000 tons of supplies were delivered to Czechoslovakia. In 1946, another 1,123,000 tons were poured into

the country. The whole, worth \$240,000,000, was much less than the average annual value of Czechoslovak imports before the war.⁴ Spread over almost two years, the contribution was even less. But the value of the free gift of UNRRA supplies is to be judged not by comparison with pre-war imports, but by the critical need it satisfied in 1945 and 1946.

Although the need was greatest in 1945, supplies in large volume were not delivered until the first half of 1946. But even then they served the vital functions of supplementing the nation's scarce food stocks until the summer harvest, of replenishing the reduced and seriously damaged pool of rolling stock and motor vehicles, and of supplying the land with badly-needed fertiliser and mechanical equipment. In these fields UNRRA made its most significant contribution; other types of supplies were of secondary importance and aided the country chiefly through the funds which their sale made available to the Government. There is no doubt that the 747,000 tons of foodstuffs, 266,000 tons of agricultural supplies, 86,000 tons of transport equipment, 137,000 tons of petroleum products, and 111,000 tons of industrial raw materials and machinery delivered by UNRRA were responsible for preventing a further deterioration of the Czechoslovak economy and of the health of the population. More than that, they provided an initial stimulus for reviving agricultural and industrial production. The proceeds of the sale of UNRRA supplies, which are expected to total 16 billion crowns when the programme is completed, are being used in reconstruction and welfare work. In the first budget of the Third Republic, covering the year 1946, UNRRA proceeds accounted for 45 per cent. of the State's extraordinary revenue and 17 per cent. of the total revenue.

There has been some criticism of the role played by UNRRA in Czechoslovakia. We may leave aside the irrelevant comments which derive from the fact that the lion's share of UNRRA relief in Europe was given to countries in the Soviet sphere of influence. More to the point are the occasional statements that UNRRA supplies were misused, that in its price and distribution policies the Government violated the regulations laid down by the UNRRA Council, and that Czechoslovakia had no need of the supplies it received as a free gift of the United Nations. There were a few cases based on evidence

⁴ The value of the total UNRRA programme was \$270 million.

stronger than rumour of the misuse of supplies. Such cases seem to have been the result of administrative mismanagement or neglect rather than of policy. There is some evidence of questionable price and taxation policies, such as the application of a surcharge to UNRRA cotton prices, the funds of which were used to purchase cotton from other sources. In general, however, it would be safe to state from the available evidence that the UNRRA goods received by Czechoslovakia were distributed in a non-discriminatory fashion and that there were no serious or widespread violations of the spirit of the UNRRA agreement. It is worth recalling, moreover, that a basic principle of UNRRA since its establishment has been that the distribution of supplies is the function of recipient rather than of donor governments or of the Administration itself. The means of supervising distribution and the sanctions at the disposal of the Administration were notoriously weak. It was inevitable therefore that the supplies received by a government would be used in its own interest as interpreted by itself.

The charge that Czechoslovakia received unneeded free gifts can be studied only in its historical context. Commodities plentiful at the end of 1946 were not in easy supply earlier. It is as true that food was scarce until the harvest of 1946 as it is that it became plentiful thereafter. The spectacular rise in imports followed the recovery of the Czechoslovak transport system, to which UNRRA contributed, and the revival of production, for a large part of which imported raw materials were essential. Czechoslovakia's foreign assets were negligible in the first year after liberation. Historically those assets have depended on a large favourable trade balance, a condition which was not possible until after the recovery of industrial production. In the interim, UNRRA supplies were essential.

By the latter part of 1946, Czechoslovakia was in general able to move along on its own momentum and energies and its relief needs were negligible compared with those of many other countries. This fact did not inhibit the Government from pressing for additional free assistance in 1947; and it was the continuing request for more aid that produced the comment that Czechoslovakia was being 'over-UNRRAed.' It may be argued that UNRRA was successful in Czechoslovakia precisely because, even before its programme was completed, Czechoslovakia was able to stand again on its own feet.

In January 1947, a Special Technical Committee of the United Nations could report that of the six major UNRRA receiving countries in Europe, only Czechoslovakia would be able to finance its minimum requirements in 1947.

Czechoslovakia could not depend on UNRRA alone for its economic recovery. Both the resources and the time of UNRRA were limited, and the former were in any case never intended to go beyond immediate relief and essential reconstruction. The most serious economic problems of the nation could be solved only by internal effort, by work and by intelligent direction. In agriculture, an adequate harvest had to be assured for 1946. In industry, the production of coal had to be increased, the labour shortage relieved, and raw materials obtained from abroad. These depended on the reorganisation of transport, the recovery of foreign trade, and the stabilisation of monetary values and foreign exchange rates. These were the immediate needs, but they had to be accomplished in conjunction with a basic reorganisation of the economy and a social programme which was the united demand of every important pressure group in the country, and without which the incentives essential to labour would be lacking.

Significant evidence of reconversion and recovery did not appear until early 1946, but the basis for both was laid in a series of presidential decrees and legislative orders in the summer and autumn of 1945.

The first group of decrees concerned the disposition of properties and land owned by the Germans. The Kosice Programme had laid down the principle that the property of Germans and of politically unreliable persons of whatever national extraction would be confiscated and distributed in appropriate shares among Czechs and Slovaks. In May, immediately following its return to Prague, the Government issued a decree placing all such property under 'national administration,' that is, managers chosen by the national committees of the area in which the property or enterprise was located were given the responsibilities of ownership in the interest of the State. The decree also declared invalid all property transfers since the day before the Munich Settlement. A second decree, issued one month later, confiscated all the landed property in question and provided that it be parcelled out in small lots among the Czechs and Slovaks. In July, a third decree laid down regulations for the resettlement of the borderlands, to fill the

gap left by the expulsion of the Germans and to assure continued cultivation.

These decrees offered new opportunities to two million Czechs to acquire land, to expand holdings which were too small to be workable, and to acquire small businesses and factories. The effect was two-fold : the decree assured that land would not be left empty (important from the point of view of the national economy), and it provided property to the propertyless (an answer to the new social demands). At the same time it reaffirmed the conviction of the country that its strength lay in a population of small landowners.

The second group of decrees concerned the nationalisation of financial and industrial establishments. These will be discussed in detail later. Suffice it to say here that the Kosice Programme did not anticipate the three decrees of October 24, 1945, which made all banks, insurance companies, joint-stock companies, key industries, and large-scale enterprises in other industries, the property of the State. The Kosice Programme had promised nationalisation of banks and of 'key industries,' but not of the 60 per cent. of Czechoslovak industry blanketed under the decrees. These, as we have seen, were the outcome of six months of debate between the nation's political parties and were a compromise between those who wanted more and those who wanted less.

As in the case of the regulations governing German property, the nationalisation decrees combined considerations of the national economy as well as of the new post-war social demands. The drafters of the decree considered nationalisation the only means of organising industry, of financing new investments, of clearing away at one stroke the problems of ownership created by mass transfers of property under duress during the occupation. It also seemed the only adequate reply to the great numbers of men and women who saw the war as an outcome of capitalist crisis, who had noted the close correlation between large property owners (especially in business and banking) and collaborationists, and who demanded public ownership as an incentive to work.

The debates from which came the nationalisation decrees have continued, but they settled at least temporarily the issue of greatest concern at the moment : Was the economy of the nation to be so ordered that the population in general could feel a proprietary interest in it, and be assured that it would be operated in the interests

of the nation at large, rather than of private individuals? Whether or not the economy could in such a way be operated efficiently was of secondary importance, and was only a technical question.

The third group of decrees concerned money, wages, and prices. These aroused relatively little public interest, but they intimately affected the day-to-day living of every person in the country. To reduce the volume of money in circulation, all money was withdrawn and blocked in the banks in which it was deposited. New currency was issued to each person or firm; to the former only 500 crowns, and to the latter enough for one month's operating expenses, although more was released if sufficient justification was presented. About 250 billion crowns were thereby blocked (of which the Ministry of Finance estimated that only about 48 billions were covered by realisable assets), and techniques had to be devised for disposing of most of the sum. In the meantime, however, the conversion served the double purpose of bringing the volume of currency into closer alignment with the available supply of goods and of restricting the funds available to every person so that he now had to work in order to purchase his daily necessities. In the eyes of the Government, the fact that money rather than commodities began to be hoarded soon after the conversion, was evidence of the success of its policy and of the popular confidence in the new currency.

Although the immediate effect of the conversion was to reduce monetary circulation from 120 billion crowns to 18 billions within one month, circulation continued to rise in the following thirteen months until it reached 43.6 billions at the end of 1946. This increase was determined by the degree to which the nation was considered to need new funds, and by the quantity deemed tolerable to the economy. At the same time savings rose rapidly from 9.4 billion crowns on January 1, 1946, to 47.2 billions at the end of the year. So much greater was the rate of saving than the demand for credit, that the Government was forced to set minimum interest rates in order to prevent competition for borrowers, and financial institutions deposited large excess sums in the National Bank, whose current account balance rose from 3 to 10 billions in the course of the year, and is still rising.

The 250 billions of blocked accounts were viewed by the Ministry of Finance as a problem of fictitious financial capital. Since this capital had been created primarily by making goods and services

available to the Germans during the war, it was a burden most of which would have to be liquidated before the nation could fully recover. The first measure planned for this purpose was a severe capital levy and an even more severe tax on war-time profits. In the early summer of 1946, such an Act was passed. The capital levy did not effect property up to 150,000 crowns; thereafter the levy rose gradually to 30 per cent. The war profits tax exempted property under 20,000 crowns, then progressively taxed up to 99 per cent., in such a way that the maximum allowable war-time profit was only 180,000 crowns. By January 15, 1947, these taxes had been collected and were expected to have yielded 30 billions.

Other means of liquidating the blocked accounts included the sale of confiscated property and of reparations and restitutions, the scaling down of bank funds held by Government institutions, and controlled inflation which would ease the burden of the national debt and the frozen accounts. Since these measures would cover only about two-fifths of the blocked accounts, the Government also considered a compulsory bond conversion programme to cover a part of the remainder. Only after the foregoing measures had gone into operation, could the unblocking of accounts be considered.

A month after the currency conversion, all prices and wages were raised to about three times their 1939 level. Neither had changed significantly during the war, though prices had slightly outstripped wages. In the first month after liberation, wages of specific groups of workers had been raised as an incentive to work. It was now deemed necessary to make the increase general and in the process to iron out some of the wage discriminations between men and women, apprentices and master workmen, skilled and unskilled workmen. The general level of wages was set so as to assure ability to purchase minimum essentials. But at the same time prices were raised: to make war-time debts more bearable, to eliminate the discrepancies between Czech and Slovak prices, to limit the quantity of goods which could be purchased by consumers, to decrease the size and importance of the black market, and to meet the high price levels of imported commodities. The over-riding consideration behind these so-called reforms was the belief that consumption must be limited during the period of national reconstruction, that the cost of rebuilding could be paid only by restrictions on consumption.

A fourth series of decrees and regulations concerned labour. The

mobilisation of workers, particularly of industrial workers, was an essential precondition of recovery. Most of the economic acts of the Government were so devised as to add incentives for work and incentives for workers to move to the areas, the industries, and the types of work in which they were most needed. The resettlement programme, the nationalisation decrees, the prices and wages reform had this as one of their purposes. But the Government also specifically provided for obligatory work in the fields during harvest time; it granted higher rations to workers; it sought to encourage a movement back to manual jobs; it urged voluntary labour brigades, factory competitions, etc. By assuring a monopolistic position to the Revolutionary Trade Unions Movement, and by granting it wide powers and privileges in the conduct of industrial enterprises, it inculcated the idea that labour could consider the Government and the State as its own and that to work was to work in labour's own interests.

At the same time, the Government laid down plans for social legislation which would assure security and protection to every man against all occupational risks, illness, and death. Relatively little has yet been done in these fields, but the assurances were sufficient to create public confidence. And the assurances were vigorous, for during the first year after liberation the entire machine of Government propaganda was devoted to urging the 'return to work' as the prime national necessity and to pointing out the new incentives. Similarly every national organisation, every political party was united on this one subject. And whatever the role they played in pressing the Government to enact social legislation, they combined in the conviction that the worker could be certain that his interests were adequately represented in the Government.

A fifth series of decrees and regulations were intimately associated with the previous four. They concerned the methods and institutions by which the national economy would be submitted to governmental regulation and central planning. On this subject, too, the Kosice Programme had prescribed nothing, and every action taken has been the outcome of discussion and compromise. Not on the general issue of planning, for it was universally recognised that the magnitude of the tasks of reconstruction required government activity and that the extension of the range of public enterprise carried with it the necessity for a corresponding extension of government planning. The point at issue has been the extent and limits of regulation. A Supreme Econ-

omic Council was established, a State Planning Office, a National Research Organisation and a Price Control Office. Prices and wages are the subject of government decision rather than of contract between employers and workers or trade unions. Foreign trade and the use of foreign exchange are under strict governmental regulation. Monetary circulation and banking are matters of government dictate. Raw material allocation and to a considerable extent marketing are the fields of activity of government departments. No aspect of the Czechoslovak economy is free of government supervision or regulation. No government department is without its planning division, all of which are co-ordinated by the State Planning Office, which is responsible directly to the Prime Minister.

One further condition of recovery must be noted. Liberated Czechoslovakia found itself occupied by American and Soviet troops. Though the new occupation was benevolent and though both armies vied in granting favours of varying importance to the Government and the people, it imposed both psychological and economic strains on the country. In December 1945 the armies withdrew simultaneously, thereby freeing the country of foreign troops for the first time since September 1938. The initiative of the American Ambassador in Prague in suggesting a joint withdrawal was a major contribution to the recovery of Czechoslovakia.

These developments started before the general economic recovery of Czechoslovakia, though they have continued. Whether or not they were necessary conditions of economic revival may be a matter of debate, but there is no doubt that they conditioned the revival that did occur.

Industry made a slow but steady recovery in the eighteen months following liberation. Coal, transport, raw materials, labour and finance were the problems the Government had to solve before the industrial machine could run again. A beginning was made immediately after liberation. None has yet been finally settled, but sufficient progress was made to lift industry from its post-war depression by the beginning of 1946.

The first organised efforts of the Government towards industrial recovery were directed to the production of coal. In May 1945, the output of black coal was only 240,000 tons, about 17 per cent. of the monthly average of 1937. The production of lignite was 510,000 tons, or 34 per cent. of the 1937 average. By January 1946,

black coal production had risen to 88 per cent. and lignite to 113 per cent. of the 1937 level. In the year that followed, production varied from month to month with the weather, the turnover of labour, and the frequency of national holidays; but the output of lignite never fell below the 1937 average and sometimes exceeded it by as much as 18 per cent., while black coal varied between 9 and 26 per cent. below normal. Even this production was inadequate for Czechoslovak needs, for coal requirements were greater than they had been before the war. During the winters of 1945-46 and 1946-47, consumption of power had to be curtailed in some large cities in order to permit factories to continue work, and during the first post-war winter the factories themselves were given extra-long holidays in an effort to save power.

The attack on the coal shortage required an heroic effort. The shortage was overcome, but only temporarily, for the means used were expedients of the moment rather than long-run solutions. The coal was mined by dint of the fact that the labour supply in the mines was greatly increased. Extra rations were given to miners. Stakhanovite incentives and special bonuses were used. Voluntary labour brigades were recruited for temporary work. Deteriorated machinery and unskilled labour kept productivity low. It was impossible to open new and more productive seams of coal, for all labour had to be concentrated on the job of coal-getting and therefore had to continue working on seams which in some cases were already partly worked out. Coal was produced, but the coal problem was not overcome. The solution is a long-range affair, inextricably associated with the general solution of the labour problem and the modernisation of equipment. The steady production of coal in sufficient quantities to meet Czechoslovak needs must await the installation of new machinery, the opening of new pits, and an improvement in the productivity of labour.

The growing supply of coal was immediately reflected in the production and consumption of electric power. Indices of power output are not comparable with pre-war figures, for the power production of Czechoslovakia had expanded during the war and large-scale conversions from steam to electric power had occurred. They are useful nevertheless as indicators of short-run trends in production. In September 1945 the output of electricity exceeded the monthly average of 1937. In 1946 it varied from 20 to 62 per cent. above

normal. The consumption of electric power by large-scale enterprises in the Czech Lands reached pre-war levels in January 1946, and during the first nine months of 1946 it remained in the vicinity of 10 per cent. above 1937 (only in July did it drop suddenly to 99).

Once coal production was raised to pre-war levels, the Government approached the problem of transport. In this field UNRRA was of vital assistance. The importation of 75 locomotives, 1,700 railway wagons, 11,000 assorted motor vehicles and 6,000 trailers provided an immediate supplement to the nation's supply of freight carriers. UNRRA fuel and repair materials, the country's own new production and energetic repair work, and the repatriation of locomotives and rolling stock from Germany and Western Europe, brought order out of the chaos which in 1945 made transport the nation's second most urgent problem. By the Spring of 1946, all damaged and destroyed bridges had been replaced by temporary structures. Permanent bridges were still a goal of the future, but they could wait. By August, the railways of the Czech provinces alone carried 3,698,000 tons of freight, compared with a monthly average of 6,042,000 tons for the entire country in 1937. Since about five-sixths of all traffic normally derived from the Czech Lands, freight traffic in August was roughly 73 per cent. of normal. Internal traffic reached an even higher percentage. Assuming that the Czech Lands carried five-sixths of all rail freight, internal traffic alone reached almost 85 per cent. of normal in June but fell 83 per cent. in August.

Even this figure underestimates the recovery of traffic, for the country in mid-1946 had more trucks than before the war. Gasoline shortages restricted the use of motor vehicles, but 140,000 tons contributed by UNRRA, an almost equivalent amount of domestically produced synthetic fuel, imports and domestic refined products brought the total availabilities in 1946 almost to the pre-war level of consumption. The Minister of Transport reported that, at the end of August, road transport had reached the 1937 level. By mid-1946, transport was no longer a bottleneck in industry or distribution.

Shipping and docking facilities had also been repaired. The ports of Bratislava and Komarno, which alone sustained war damage, were again in a condition to handle their pre-war load of traffic. In the course of the year 1946, most of the Elbe and Danube vessels held

by the Soviet and American armies were returned to Czechoslovakia. Neither river, of course, carried its pre-war traffic, but the deficiency was the result of insufficient goods rather than of inadequate facilities. In 1946, internal traffic on the Elbe averaged 86 per cent. of the monthly average of 1937, compared with 63 per cent. in 1945. The low level of foreign trade held international traffic to only 19 per cent. of the 1937 average. The situation on the Danube, thanks chiefly to international political problems, was about the same. The Danube, which was formerly used almost exclusively in foreign trade, averaged only 39 per cent. of 1937 traffic.

The labour shortage was a more lasting problem than either coal or transport. In October 1945, industrial employment (exclusive of the building trades) had fallen to 1,038,600, 80 per cent. of the total employed in December 1937. The deficiency was unevenly distributed. The mining industry for instance employed 30 per cent. more than its 1937 labour force ; but employment in quarrying and ceramics was 51 per cent., in textiles 43 per cent., and in clothing 37 per cent. below 1937. The loss was made more serious by the lower per capita productivity and the post-war drift of labour to clerical and administrative jobs.

Widespread recruitment of new workers, efforts to train young men and women, pressure to release clerical and government employees for productive work, and wage and salary increases yielded an improvement during 1946. By December industrial employment exceeded 90 per cent of 1937. Unfortunately employment cannot be used as an accurate indication of the revival of industrial production, because of the still sub-normal productivity of labour.

The impact of these developments on industrial production became apparent at the beginning of 1946. Since then industry has continued steadily on the path of recovery. General indices of industrial production are not available for the post-war period, but official estimates indicate that industry in September 1945 worked at only 50 per cent. of the 1937 level. In May 1946, it had risen to 70 per cent. It is estimated that, by the end of 1946, industry had reached about 80 per cent of the 1937 level of production. Greatest progress was made in the basic industries, in mining, metallurgy, power, metal-working and cement. Light and consumer industries lagged behind, with glass, textiles and footwear making important advances only in the latter half of 1946.

A general guide to industrial progress, of only limited usefulness, may be found in the monthly gross value of industrial output. Because of inadequacies in the data for 1945, it is useful only as an index of development in 1946.

Gross Value of Industrial Output in 1946
(in million crowns)

			Czech Lands	Slovakia	Total Republic	
			Value	Value	Value	% of Jan. 1946
January..	..	..	7,959	1,128	9,087	100
February	..	.	8,928	1,199	10,127	111
March ..	..	..	10,622	1,598	12,220	134
April .	.	..	11,399	1,674	13,073	144
May ..	.	..	11,294	1,701	12,995	143
June ..	..	..	11,764	1,557	13,321	147
July ..	..	..	11,252	1,658	12,910	142
August	.	..	11,772	1,877	13,649	150
September	..	.	12,579	2,078	14,657	161
October	.	..	13,838	2,225	16,060	177
November	..	..	15,107	2,165	17,272	190
December	..	.	16,906	2,381	19,287	212

Source: *Statistický Zpravodaj*, May 1947, p. 212; Josef Goldmann, *Czechoslovakia, Test Case of Nationalisation*, pp. 20, 47.

The value of sales of industry in the Czech Lands grew from 7,959 million crowns in January 1946 to 16,901 millions eleven months later. In the country as a whole, the value of sales increased by 112 per cent. in 1946. Part of this growth is a reflection of the rise in prices, but only a small part. Even holding wholesale prices constant, the output of Czechoslovak industry increased by 84 per cent. From January to the end of December 1946, wholesale prices rose by 16 per cent., compared with the 112 per cent. increase in the value of the national production.

A better indicator of recovery is the actual production figures of iron and steel. The output of pig iron grew steadily to 98,000 tons in December 1946, 70 per cent. to 1937 production and 109 per cent. better than the same month of 1945. Steel production reached 169,000 tons, or 85 per cent. of pre-war in November 1946, only to drop to 77 per cent. in the following month, but even this was 87 per cent. higher than December 1945.⁵ This rise in the production of

⁵ For post-war production of coal, electricity, coke, pig iron and steel, see Appendices, p. 239.

iron and steel was reflected in the output of structural materials and transportation equipment, both of which were given priority. Thus in 1946, the country produced 140 locomotives, compared with 74 in 1937 and only 1 in 1945; 11,108 freight cars and electric trams, compared with 1,725 in 1937; and 800 tractors compared with 17 in 1937.

Unfortunately, few monthly production statistics are available for consumer goods, a reflection perhaps of the greater preoccupation of post-war Czechoslovakia with the output of its heavy industries. The inadequate statistics of value of industrial output show, however, that industries were not progressing at the same rate and that in general the heavy industries were moving ahead more rapidly than the consumer goods and light industries and were closest to, or above their pre-war levels of production. Cotton yarn averaged less than half and shoes about half of pre-war output. This is confirmed by the fact that the heavier industries approximated more closely or exceeded their pre-war labour force. This fact was no accident. Greater emphasis was consciously and deliberately put on heavy industries at the expense of consumer goods because that was deemed the only way of rebuilding the war-damaged plant and facilities of the country and because the outcome of the war in Central Europe made that policy seem to correspond to the long-run economic interests of Czechoslovakia.

The growth of industry was reflected in the expansion of foreign trade. By mid-1946 the isolation of Czechoslovakia was broken. At the end of the war, Constanza and Odessa, both requiring long rail hauls, were the only ports available to Czechoslovakia. In September 1945, Bremen and Hamburg were opened for limited trade, and gradually the other parts of Northwest and Southern Europe became available. Agreement was reached with Poland on the use of Danzig and Gdynia. The occupation authorities in Germany and Austria and the European Central Inland Transport Organisation had, by the Summer of 1946, hammered out an effective machinery for transport across the occupied countries. The American Embassy had a long and occasionally bitter but finally successful struggle with American occupation authorities in Germany to re-open traffic to the Czechs. Transport facilities in Western Europe were still beneath pre-war levels, but transport itself no longer hampered Czechoslovak

trade with Western Europe and overseas countries. By the Summer of 1946, the nation had greater allocations of freight wagons than it could use. Inadequate facilities still remained a bottleneck so far as Eastern and part of Central Europe were concerned. Since the Summer of 1945, transport agreements had been made with neighbouring countries and with the occupation authorities; new negotiations were under way with a score of countries regarding transit rights, generally in the terms laid down in the 1933 International Convention on Railway Transport. In October 1946 the Minister of Foreign Trade was able to report that transport problems were no longer technical; they now concerned primarily rights of transit and freight rates. Of particular importance was the fact that transport costs across Germany had to be paid in dollars and the rates had not yet been established.

The organisation of international traffic corresponded with the recovery of industrial production, but these were not enough to assure the rapid development of trade. So far as a large part of the world is concerned, it is necessary to produce at competitive prices.

In early 1946 it seemed that the high prices of Czechoslovak production constituted a serious barrier to the recovery of an extensive portion of its normal export markets. The financial reform of December 1945 had raised Czechoslovak prices to about three times their pre-war level, and it was a fact that merchants of Western countries, particularly overseas countries, in which for the most part war-time price controls were still in effect, complained of inability to reach Czechoslovak asking prices. Even the nation's press suggested that the price reform, while apparently necessary from the point of view of the internal economy of the country, might very well have placed so great an impediment in the way of foreign trade, as to defeat its own ends. The question was considered important enough to justify the appointment of a special committee of the Economic Council to examine the effect of prices on the competitive position of Czechoslovak goods in the world's markets.

By the latter part of 1946, however, although high prices of specific commodities remained prohibitive, they had in many cases ceased to be of significance as an obstacle to Czechoslovak trade. The post-war rise in prices in the rest of the world, particularly in the United States, had caught up with Czechoslovak prices and closed the gap

which had earlier threatened to keep products out of their normal markets. The rise in exports to the United States, whose merchants seemed most concerned by the high cost of Czechoslovak products, from 18,000,000 crowns in January to 240,000,000 in December 1946, was confirmation of the fact. The situation was alleviated by the fact that export prices were not so vigorously controlled as, and were generally lower than, internal prices.

Soon after liberation Czechoslovakia's pre-war reputation as a supplier of many specialised high-quality commodities brought a flood of foreign buyers to the country. Their numbers grew in 1946 despite still inadequate production and the temporary block imposed by prices. Though they found that conditions were different from those of pre-war years, with regard to both methods of marketing and the role of Government in trade, and though they sometimes found it difficult to operate with an industry in the process of re-organisation, with all its attendant bureaucratic problems, they started to rebuild the contacts lost during the war. The results were spectacular in 1946.

The following table shows the development of the foreign trade of Czechoslovakia from May 1945 to the end of 1946.

Foreign Trade of Czechoslovakia since Liberation
(in million crowns)

			<i>Imports</i>	<i>Exports</i>	<i>Balance</i>
May, 1945	..	..	47.7	32.7	-15.0
June	..	..	
July	..	..	
August	..	..	
September	..	..	
October	..	..	171.2	45.5	-125.7
November	..	..	168.0	150.7	-17.3
December	..	..	217.1	241.7	+24.6
<hr/>			<hr/>		
Total, 1945	..	..	604.0	470.6	-133.4
<hr/>			<hr/>		
January, 1946	..	..	330.5	342.7	+12.2
February	..	..	273.4	435.5	+162.1
March	..	..	536.3	589.3	+53.0
April	..	..	570.7	708.5	+137.8
May	..	..	724.3	927.7	+203.4
June	..	..	764.4	925.9	+161.5
July	..	..	757.9	1,380.0	+622.1
August	..	..	900.2	1,234.8	+334.6
September	..	..	977.5	1,450.1	+472.6

Foreign Trade of Czechoslovakia since Liberation—continued
(in million crowns)

			<i>Imports</i>	<i>Exports</i>	<i>Balance</i>
October	..	..	1,267.1	1,811.2	+544.1
November	..	..	1,348.8	1,869.3	+520.5
December	..	..	1,788.0	2,670.0	+882.0
<hr/>					
Total, 1946	..	..	10,239.1	14,345.0	+4,105.9

Source: *Statistický Zpravodaj*, March 1947, p. 120.

The total value of exports in 1945 reached only 3.9 per cent. of their value in 1937; and of imports, only 5.5 per cent. The volume of trade was even smaller, for price levels were higher in 1945 than in 1937. But a spurt in both exports and imports started at the beginning of 1946. In February 1946, experts of the Ministry of Foreign Trade and the National Bank of Czechoslovakia predicted that exports in the whole of 1946 would total only three to four billion crowns. This total was reached at the end of June. In the late summer, the Minister of Foreign Trade expressed the conviction that Czechoslovakia must export to the value of 1.5 billion crowns monthly. That rate was exceeded in October by 21 per cent., in November by 24 per cent., and in December by 79 per cent.

By the end of 1946, Czechoslovak exports reached the value of 14.3 billion crowns, compared with 12 billions in 1937; and imports were worth 10.2 billion crowns, compared with the 1937 total of 11 billions. As in 1945, the comparison of values alone neglects the rise in wholesale prices, but the fact remains that within a single year imports rose more than five times and exports almost eight times.

The impact of this growth of trade on Czechoslovakia's trade balance is of the utmost importance. The country was normally able to balance its payments only because exports consistently exceeded imports. During the year of liberation, Czechoslovakia had an unfavourable balance of trade. Since December 1945, however, the value of exports has been higher than that of imports. By the end of 1946, Czechoslovakia had a trade credit balance of 4.1 billion crowns, compared with one billion in 1937. Even when adjustment is made for changes in the value of the crown, the dollar value of the credit balance in 1946 was about 2.5 times greater than in 1937.

This favourable trade balance was made possible by the free importation of UNRRA supplies in 1945 and 1946, which relieved Czechoslovakia of the necessity of purchasing many raw materials,

foodstuffs, and machines which it vitally needed, and which gave an impetus to domestic industrial production. UNRRA imports do not appear in the official statistics; nor do imports from Hungary on reparations account. The trade balance of 1946 is thus largely artificial. The fact remains, however, that the machinery of foreign trade has gathered momentum and with the reserves of credit accumulated in the past year and the steady rise of industrial production, foreign trade in 1947 should be capable of attaining the volume as well as the value of pre-war trade.

It is worth noting that, at the Fifth UNRRA Council Session in Geneva in August 1946, the Czechoslovak Government sought to justify a request for additional assistance by pointing out that it required imports in 1947 to the value of 499 million dollars, while it anticipated only 237 millions of revenue from exports. During the last quarter of 1946, Czechoslovak exports averaged 42.3 million dollars per month, or the rate of 507.6 millions per year, more than twice the revenue its Government predicted.

The content of post-war foreign trade is worth noting. Like all manufacturing countries, Czechoslovakia's imports normally consisted primarily of raw materials and semi-processed goods, and its exports chiefly of manufactured products. That pattern returned soon after liberation.

*Foreign Trade of Czechoslovakia since Liberation,
by Commodity Category
(in million Czechoslovak crowns)*

	1937		1945		1946	
	Imports	Exports	Imports	Exports	Imports	Exports
Live animals—Value ..	205	7	81	—	86	—
% of Total ..	1.9	0.1	13.4	—	0.9	—
Food and drink—Value..	1,206	979	28	10	2,179	3,069
% of Total ..	11.0	8.2	4.7	2.1	21.3	21.4
Raw materials and semi- mfg. goods—Value	6,312	2,372	358	187	5,257	2,359
% of Total ..	57.5	19.8	59.2	39.6	51.3	16.4
Finished goods—Value..	3,257	8,597	137	274	2,717	8,916
% of Total ..	29.6	71.7	22.7	58.3	26.5	62.2
Bullion and specie—Value	2	28	—	—	—	—
% of Total ..	0.0	0.2	—	—	—	—
Total Value ..	10,982	11,983	604	471	10,239	14,344
% ..	100.0	100.0	100.0	100.0	100.0	100.0

Source : *Mesicni Prehled Zahranicniho Obchodu*, December, 1946
(Monthly Summary of Foreign Trade).

The major change in the content of trade in 1946 by comparison with 1937 occurred in the category of foodstuffs. The proportion of

foodstuffs in the total imports of 1946 was almost twice as high as in 1937, and among the exports, 1.6 times higher. The relationship between raw materials and finished products in the foreign trade of Czechoslovakia is the key to its industrial production as well as to its ability to trade. Raw materials and semi-manufactured goods comprised 51.3 per cent. of all imports in 1946, compared with 57.5 per cent. in 1937; and finished products made up 62.2 per cent. of all exports, compared with 71.7 per cent. in 1937. The needs of Czechoslovak industry have made for constant criticism of the relatively low level of imports of raw materials, but the greater need for foodstuffs during the several months before the 1946 harvest necessitated the concentration of exchange on foodstuffs. During June and July food imports were actually higher than those of raw materials. The fact that the export of finished goods is also still below pre-war proportions has produced constant demands on industry for more production. Despite these variations from the pre-war proportions, it is obvious that the tendency of Czechoslovak foreign trade is to return to its normal pattern.

Iron and other metal products have been the most valuable article of export since the war, though in terms of bulk coal, coke, and potatoes have been more important. Glass, textiles and sugar rose rapidly during the year to become the nearest competitors to iron products. Close behind were hops and potatoes. The most spectacular rise in exports was in textiles, which increased from 12 million crowns in January to 268 millions in October. The export of ceramics, chemicals, rubber, wood and machinery was also increasing rapidly.

The major imports have been in the field of raw materials for transport and industry; iron ore from the Soviet Union and Sweden, crude oil and petroleum products from Hungary and Austria, salt, wheat from Canada and the Soviet Union, cotton from the United States and the Soviet Union, and chemicals.

The agricultural and food position of Czechoslovakia was not far behind industry and foreign trade in showing a significant improvement. The harvest of 1946 was below pre-war levels, but was sufficient to meet the bulk of the nation's needs.

Both fertilisers and agricultural equipment had been given a high priority among UNRRA deliveries. Domestic production of both these commodities had been resumed. Although availability of

fertilisers was still below pre-war standards, it, in conjunction with favourable weather conditions, succeeded in raising crop yields above the 1945 level. By the summer of 1946, about 11,000 tractors were in operation, more than the nation had before the war, and animal draft power had improved due to a partial recovery of the cattle and horse population. Labour was still an important obstacle to production, but by the summer of 1946 the bulk of the expelled Germans had been replaced by Czechs and Slovaks. Short terms of obligatory labour in the fields, work by voluntary brigades, and help from the army alleviated the shortage.

The harvest of 1946 therefore showed considerably better yields than that of the previous year. The area sown did not change appreciably, but larger yields produced consistently larger crops, though only in the case of corn and oil seeds did the yield exceed that of pre-war years. The following table compares the major crops in 1945 and 1946 and compares them with the average production of the years 1935-37.

Production of Major Crops in Czechoslovakia, 1945 and 1946
(in thousand metric tons)

			1945 Harvest		1946 Harvest	
			Crop% of 1935-37		Crop% of 1935-37	
Wheat	..	..	1,010	68	1,325	89
Rye	..	..	961	64	1,140	77
Barley	..	..	522	49	763	72
Oats	..	..	651	55	843	71
Corn	..	..	104	63	176	106
Pulses	..	..	105	46	15 ⁶	—
Potatoes	..	..	5,717	58	8,857	91
Sugar beets	..	..	2,923	61	4,141	86
Oil seeds	..	..	21	125	38	223

Source: UNRRA, *Economic Recovery in the Countries Assisted by UNRRA*, p. 100; UNRRA Mission to Czechoslovakia, "Economic Report for Czechoslovakia," Oct.-Nov. 1946.

A similar improvement occurred in livestock supplies, though meat production is still below normal. In July 1945, the cattle population was estimated at 3,815,000 head, 82 per cent. of the average for 1935-37. Six months later the population had increased

⁶ Edible pulses only.

to 4,115,000, almost 92 per cent. of the pre-war level, and the yields of milk cows were improving. The pig population declined more rapidly during the war, from 3,218,000 in 1935-37 to 2,126,000 in July 1945, but a year later it had risen again to 2,697,000, or 84 per cent. of the pre-war level, and was still rising rapidly. The sheep and goat population was higher at the end of the war than before. Meat and milk products will remain below normal, but the only serious shortage will be in fats, of which Czechoslovakia always had to import large quantities.

Although in almost all food items, production is still from 10 to 30 per cent. below normal pre-war yields, it must be remembered that, by the end of 1946, the population of Czechoslovakia had only 82 per cent. of its population in 1938. In the latter year, the population of the area which now comprises Czechoslovakia was 14,609,000. On June 30, 1946, the population was officially set at 13,021,000, and on December 31, at 12,003,000. By the end of the present crop year, it will be higher, due to repatriations, but the difference will be small. It is apparent therefore that in terms of per capita availabilities, foodstuffs available in Czechoslovakia in the harvest year 1946-47 are practically equivalent to those of pre-war years.

This is borne out in a study made by UNRRA experts in London. According to a *World Food Survey* prepared by the Food and Agriculture Organisation of the United Nations in 1946, the daily pre-war Czechoslovak diet, which varied with the season and the area, averaged 2,761 calories, of which 1,242 were derived from cereals, and 72 grams of protein, of which 25 were of animal origin. UNRRA specialists, calculating on the basis of the quantity of food available for human consumption and assuming an average population of 12,500,000 over the present food year, have concluded that the indigenous production alone is sufficient to allow a daily caloric intake of 2,760 calories, of which 1,388 will derive from cereals, and 78.6 grams of protein, including 25.2 from animal sources.⁷ According to UNRRA estimates, Czechoslovakia is the only country in Europe in which the daily caloric intake in the 1946-47 season is equal to that of pre-war years.

The fact that domestic production is itself sufficient to give the average Czech his normal diet did not prevent the Government from

⁷ These figures exclude eggs, for which no production figures were available when the analysis was made (January 1947).

requesting additional UNRRA aid in foodstuffs in 1947. If Czechoslovakia imports the 317,000 tons of wheat, rye and rice, 101,000 tons of fats, 34,000 tons of meat, and other foodstuffs which it included among its requirements, the daily diet will be raised by 469 calories, or 17 per cent., and 11.3 grams of proteins, or 15 per cent. above pre-war.

The impact of these facts on the day-to-day ration in Czechoslovakia is equally obvious. Rationing has been in effect since the beginning of the war, during which caloric intake remained almost constant, but the diet deteriorated as carbohydrates took the place of proteins. The dislocations following liberation brought rations to their lowest level. In May and June 1945, the caloric intake fell to only 1,321 calories per day for a normal adult consumer. In January 1947, however, a normal consumer's ration totalled 1,800 calories per day, and with the large number of unrationed foodstuffs it was estimated at about 2,500 calories. Workers, of course, received greater rations, and self-suppliers even more.

The availability of pre-war supplies does not, however, mean that the average pre-war diet will be attained. Fats are still in short supply. Maldistribution is still characteristic of some parts of the country, particularly Eastern Slovakia, and the urban population everywhere is affected by the high price level. Prices have been an obstacle to the recovery of normal dietary standards.

The rising level of production has had relatively little effect on the ability of the worker or salary earner to purchase his daily necessities, with the result that the nation's price level is still subject to severe strictures in the press and from the political parties and other social organisations. From the time of its inception, the price and wage reform of December 1945 brought forth criticism from two sources. At first it came primarily from those who saw high prices preventing the re-entrance of Czechoslovak goods into the world market. With the expansion of foreign trade, this criticism has gradually died. But since the Spring of 1946, there has been a persistent and general demand, particularly from the Trade Unions' Movement, that prices be reduced so that a worker can buy more goods.

Wholesale prices rose by 12.9 per cent. between January 1, 1946 and January 1, 1947. Although that increase was shared by foodstuffs, industrial raw materials, and manufactured products, it was

not shared equally.⁸ The greatest increase was registered by minerals; foodstuffs changed relatively little, and the cost of animal products actually dropped. But textiles still stand at the highest level of any commodity, at 481.6 (March 1939=100) compared with the general index of 300.1. It is significant that, despite the price reform, the index of imported goods is higher than that of domestic products (343.7 compared with 296.2, in December 1946).

The cost of living rose only very slightly during the year after the price reforms. Here again, the rise was not even. The cost of living of a white-collar worker rose much more than that of a labourer's family; and while food costs declined and lodging remained constant, clothing costs rose sharply.

During the same period the official wage rates remained constant. The wages reform of December 1945 raised rates in the Czech lands to 202.6 per cent. above their level of March 1939, and they have remained at 302.6 since then. Although this level on the face of it compares favourably with the cost of living of a worker's family, even it is an underestimation of actual wages for it does not include bonuses, overtime and other extras. Nonetheless, the price level has been increasingly criticised. It is notable, in this connection, that there have been few requests for higher wages; the demand is for a lowering of prices, so that the same salary can go further. These demands have been supported by two types of argument.

In the first place, it has been pointed out that in June 1946 (for instance) the average salary of an industrial worker was 2,540 crowns per month. But the food rations of a worker's family of three amounted to 2,721 crowns, more than 200 crowns higher than his wage. The second argument is based on a pseudo-scientific analysis of the statistics of industrial turnover. While in September 1945 almost one-half of the value of industrial turnover went into wages and salaries, in November 1946 wages and salaries covered less than one-fourth. From January to October 1946, the turnover per 1,000 crowns of wages and salaries rose from 3,097 to 4,075, and per man-hour of actual labour, from 49 to 80 crowns. This increase is seen primarily as a reflection of improving labour efficiency. Yet, it is pointed out, the results of this improvement have gone into profits rather than into increased popular consumption. While it is

⁸ For indices of prices and cost of living, see Appendices, p. 239.

conceded that, in the rush of setting prices in November 1945 in the midst of uncertain and unstable conditions, frequent errors were made, the argument holds that conditions have now improved sufficiently to permit a general lowering of prices. In 1945, its advocates maintain, it was justifiable to underprice raw materials and overprice consumer goods in order to spur production and limit consumption, but such a policy is no longer permissible.

Whatever the validity of the argument, one thing is certain: that the population of Czechoslovakia and their main political organisations, are no longer willing to keep consumption depressed for the benefit of long-range reconstruction. In 1945, they agreed to keep purchasing power within the limits of consumer possibilities; the rising level of production, they now hold, has expanded these possibilities, but purchasing power has not kept the pace. Thus the Communist Party organ declared that 'though export constitutes a life necessity for this country, it must not entail a shortage of consumers' goods in the home market.'

The result has been political pressure in the past six months not only for a lowering of prices, but also for the enactment of laws to tighten up the channels of distribution, reduce distribution costs, reduce the profits of wholesalers, and eliminate the black market. The latter was given particular prominence following the disclosure that a large part of current textile production had disappeared and been sold illegally. The black market generally, which had fallen in volume after the currency and price reforms of 1945, seemed in the latter part of 1946 to have grown again, though this time in the field of manufactured products rather than foodstuffs; and on it fell a large part of the blame for consumer goods shortage. Feeling rose sufficiently high in late 1946 to raise the demand that black marketeers be given a death penalty.

These very demands were signs that both individuals and political parties in Czechoslovakia were unwilling to postpone much longer the recovery of the standard of living which had slipped steadily since the outbreak of war. At the end of 1945, it seemed to many observers that the parties of the Left in particular and others to an only slightly less extent, were determined to keep that standard depressed in order to pay the cost of the economic reorganisation and reconstruction which the country had begun. A year later it seemed obvious that the average man was not willing to pay so great

a cost, and was determined to obtain immediate benefits in the form of more food and clothing for the greater efforts he was making. There was evidence of resentment of the fact that export prices were often lower than domestic prices in the very commodities he wished to buy. Political parties were quick to feel the undercurrents, and crystallised them into political demands. How much their formulated demands for increased consumption were an effort to keep the vote and how much real concern for the popular welfare, only time would tell. But it was clear at once that all parties were using the popular feeling for their own ends: parties of the Left, to show the need for increased socialisation; the Liberal parties, to show the need for stopping the revolutionary trends and settling down. The former coupled the demands for lower prices with attacks on private enterprise and particularly on middlemen; the latter, with attacks on the extension of nationalised enterprise and the bureaucratisation of industry. In a sense the attack on the price structure, on which as on most economic policies in Czechoslovakia there was a high degree of unanimity, was another manifestation of the nation's internal political struggle.

CHAPTER 6

LABOUR AND THE EXPULSION OF THE GERMANS

Resettlement of the Borderlands

CZECHS and Slovaks were in agreement long before liberation that all Germans and Hungarians must be driven from the country, and all collaborators must be punished.¹ The Kosice Programme expressed that conviction in vigorous terms. Whatever the consequences of the decision, no political party and no political leader could dare raise an objection. To do so would not only mean the end of a career; it would also bring forth accusations of collaboration.

This policy had serious economic consequences for Czechoslovakia. Not only did it involve a change in the composition of its population and a loss of about one-fifth of the total. It also meant the loss of workers, farmers, and managers. The former provided the occasion for a large-scale internal migration of people. The latter brought forth an important redistribution of property and aggravated an already serious labour problem, and was one of the factors that led to the nationalisation and relocation of Czechoslovak industry.

The population of Czechoslovakia numbered 14,729,000 in 1930, the date of the last pre-war census. Without Trans-Carpathian Ukraine, which was ceded to the Soviet Union in June 1945, the present territory of the Republic held 14,004,000 persons. Of this total 3,305,000, or 23.5 per cent., were German and 604,000, or 4.3 per cent., were Hungarian. In the whole of the country Czechs and Slovaks numbered just over two-thirds of the population. The population grew during the next decade, but the proportions did not change significantly.

The mere figures of the German population understate its economic significance. More than 70 per cent. of the Germans were concen-

¹ See Hubert Ripka, *The Future of the Czechoslovak Germans*.

trated in Bohemia, where they constituted 32.7 per cent. of the population of the province. Another 25 per cent. lived in Moravia-Silesia, and made up 23.1 per cent. of the total population. Nor were they evenly distributed through the Czech Lands; on the contrary, they were concentrated in particular localities. The bulk of the Germans lived in the areas contiguous to Germany and Austria, particularly in the north-western regions of Bohemia.

This was precisely the area that had the greatest concentration of industry. In the Karlsbad area, the centre of the Bohemian porcelain industry, Germans constituted 95 per cent. of the population. Germans made up 83 per cent. of the population of the Liberec area, one of the country's largest textile centres; 95 per cent. of the Krnov area, another textile centre; 82 per cent. of Jablonec, a textile and glassware area; 50 per cent. of the Most mining district; 80 and 92 per cent. respectively of the chemical centres of Usti and Decin; 99 per cent. of As, another textile centre. Even large urban centres in the heart of the country had heavy concentrations of Germans. Thus 20 per cent. of the population of Brno, the heart of the woollen industry, was German, 23 per cent. of Olomouc and 5 per cent. of Prague.

Not only did Germans comprise a large proportion of heavily industrialised areas; they were largely areas which produced for the export market, on which the Czechoslovak economy was heavily dependent. Elisabeth Wiskemann has pointed out for instance that the Republic in 1918 took over 21 of 24 Austrian window and bottleglass factories, of which 16 were Sudeten German; 1,218 of 1,524 Austrian cotton factories, of which 819 were German; 281 of 333 Austrian wool factories, of which 201 were German; 239 of 267 Austrian linen factories, of which 167 were German; 49 of 55 Austrian hemp and jute factories, of which 27 were German; 55 of 65 Austrian silk factories, of which 44 were German. The lack of a sufficient home market for many Czechoslovak industries and the post-World War I trend toward economic nationalism in Europe resulted in a relative decline of some industries in which there was particularly excessive capacity and the establishment of many new enterprises in industries whose products formerly had been imported. At the same time new heavy industries were established and expanded, and these in general tended to be located in the interior of the country. Nonetheless, in 1938, the geographical pattern of Czecho-

slovak industry was substantially the same as it had been twenty years before: the degree of industrialisation was greatest between Prague and the German borders and declined as the country spread east; the heaviest industrial concentrations were in areas in which Germans predominated; the industries that supplied Czechoslovakia's export trade were concentrated in the German areas; and these were the industries which, even before the depression, worked at the lowest proportion of capacity.

Though the general pattern remained unchanged, one important new feature was added. The old industrial areas, in western and northern Bohemia, in which the industrial revolution had begun, were the German-populated areas and were characterised primarily by consumer industries; the areas of new industrialisation were in Czech areas and contained chiefly heavy industries. Two other facts are relevant. In the years between the wars the industries in the interior of Czechoslovakia made far greater progress in production than did those in the German-speaking areas. In most of the German-populated industries, in glass, porcelain and sugar, for instance, production never reached its pre-World War I level. Moreover, the Sudeten industries were most heavily hit by the world-wide depression. The greater dependence of the German industries in Czechoslovakia on the Reich German banks and on foreign trade made them more vulnerable to international economic fluctuations. The German-populated regions thus became virtually a distressed area. The Sudetenland had not only the greatest excess industrial capacity, but also the greatest amount of unused industrial capacity. One consequence of this situation was that the physical equipment of these industries was frequently obsolescent, though they continued to supply a large share of Czechoslovakia's exports.²

A few examples of the location of industries with reference to the nationality of population will point up the significance of the position of the Germans. Almost all of the Republic's lignite was mined in the Sudeten area, in which important (though not the country's largest) deposits of hard coal were also located. More than ten per cent. of the nation's coal and lignite production was exported. Virtually all the raw materials of Czechoslovakia's world-famous ceramic and glass industries were located in Western

² See Elizabeth Wiskemann, *Czechs and Germans*, pp. 140-196.

Bohemia as well as the industries themselves, which supplied about 10 per cent. of the value of Czechoslovak exports. Two-thirds of the textile industry, particularly cotton, was concentrated in the borderlands, and it provided a full 25 per cent. of the nation's exports. Many wood and paper enterprises, half the glove production, and about half the production of chemicals were located in predominantly German areas, as well as a large part of the brewing, sugar beet, and distilling industries. In some of these industries, exports ranged from 50 to 70 per cent. (for textiles, gloves, sugar, alcohol) to 75 to 90 per cent. (for porcelain and quality glass) of the entire output. In general, moreover, many of the industries concentrated in the German areas were based largely on indigenous raw materials.

In the Sudeten area, Germans provided the bulk of the labour and management of industry. Their loss would mean a labour shortage as well as a loss of managerial ability. But it also involved a loss of farmers, a fact which was of greater immediate significance. About 2,600,000 hectares of land were owned by Germans. A large proportion of the nation's hops and sugar beet was grown on this land, as well as important quantities of potatoes, wheat, rye and barley. They were all commodities the nation could ill afford to lose.

The influence of Czechoslovakia's German population spread far beyond the boundaries of the land it occupied, and it was enhanced by the influence of capital imported from Germany and Austria. German capital and German managerial ability played an important role in the whole of Czechoslovak industry and banking. According to a study published by the Ministry of Industry, in May 1945, 13.3 per cent. of all industrial capital in the Czech Lands was of Reich German origin. The percentage would be considerably larger if to it were added capital of Sudeten German origin.

The statistics of German labour are even more telling. More than one-third of the number of persons engaged in Czech industry in December 1937 were German, an estimated 400,000 of a total of 1,198,000. In September 1946, when the voluntary flight of Germans had already occurred and the expulsion had hardly begun, German employment in the Czech Lands was only 200,000 out of 978,000 still 20 per cent. of the total. The numbers rose to 250,000 in December, as a result of the Government's policy to force all Germans to work and to use prisoners of war. But in 1946, when the

full tide of expulsion was under way, German employment fell steadily to 219,000 in March, 184,000 in June, 111,000 in September and 61,000 in December. At the end of the year Germans constituted only 5.6 per cent. of those active in industry in the Czech Lands. As late as April 1946, Czech officials classed 17.9 per cent. of all Germans in industry as specialists, the greatest number of whom appeared in the textile, iron- and metal-working, and mining industries, all of them vital to Czechoslovakia's economic recovery. Close behind were the woodworking, quarrying and ceramic, and glass industries, all important in the export trade. These same industries employed the largest number of German workers.

The expulsion of the German population thus posed a series of vital economic problems to the new Czechoslovak Government.

1. A strategic and vulnerable border area was to be denuded of most of its population. How was it to be repopulated ?
2. What was to be done with the property of expelled Germans ?
3. How was the labour shortage created by the loss of Germans to be met, particularly the loss of managers and skilled labour ?
4. The industries most affected by the loss of Germans were consumer industries, many of which had never fully recovered from the depression of the early thirties and in some cases had deteriorated steadily since the First World War. Equipment was frequently obsolescent and in bad repair, and a large portion of capacity was idle. To renovate these industries, to bring them back to normal, would require a considerable investment and might not be worth the expenditure in the light of world-wide developments in those industries. But to reduce their weight in the Czechoslovak economy might mean not only a change in the nation's industrial structure but also a reorientation of its trade relations, since borderland industries (textiles, glass, gloves, etc.) had furnished the largest portion of its exports.

Despite these implications of expulsion, the Government and the people were determined to carry out the policy of expulsion.

Confiscation was the answer to the problem of German-owned property. The Kosice Programme had promised measures 'to undo the crimes committed by the occupants and their treacherous abettors, against Czech and Slovak National and private property, to purge the Czech and Slovak economic system of all foreign and fascist

influences and to secure the products of the Czech and Slovak people.' Property which had been seized from Czechs and Slovaks during the occupation for reasons of 'national, political or racial prosecution' was to be returned to its rightful owners, as was property belonging to Germans and Magyars who could prove active loyalty to Czechoslovakia. The remainder was to be confiscated. One of the first acts of the Government after its return to Prague was the decree of May 19, which voided all transfers of property effected during the occupation. At the same time, the decree provided that all property owned by Germans, Magyars or unreliable Czechs and Slovaks should be placed under 'national administration' to prevent any further gain from being derived from the property either by outright sale or by profits and to assure continued operation of the enterprise or cultivation of the land.

A word is necessary concerning 'national administrators.' These men were not given possession of the property with which they were charged. Technically their function was, as trustees of the nation, to hold the property and to operate it at a profit until its final disposition. It was inevitable that the institution of national administration offered an opportunity not only for adventurers but for political patronage, and the opportunity was frequently seized both by individuals and by political parties. It would be difficult to find out how many of the accusations levelled against national administrators were based on fact, and how many on malicious gossip, though newspapers from time to time reported proven cases of bribery or black market operations which ended behind jail bars. Even the Resettlement Office conceded that 12 per cent. of the nation's property custodians had proven inefficient or dishonest. Aside from the corrupt opportunism which is the inevitable by-product of a situation requiring thousands of quick new appointments, the Government was faced with the more serious and more general problem of finding administrators who were trained in the work required of them, and in this too speed and political pressure inevitably brought about the appointment of incompetents.

The Government had also to provide for the ultimate transfers of the property temporarily in the hands of national administrators. With regard to land and property associated with it, the provisions were explicit. Before the end of the war, the Slovak National Council had begun to divide and distribute confiscated land. The

Kosice Programme approved the action in Slovakia and promised to enact similar measures for the entire Republic, as a means of 'meeting demands of Czech and Slovak farmers, small-holders, and farm-workers for a decisive land reform' and of wresting 'the land once and for all from the foreign German-Magyar nobility and from all traitors.' The principles established by the Programme for carrying out the land reform were put into effect by a decree of June 21, which confiscated all agricultural property held by national administrators. Included in the term were arable and forest lands, all buildings, installations and enterprises attached to them, and all movable goods, rights and privileges associated with them. To administer this property, a National Land Fund was established under the Ministry of Agriculture.

The decree also provided that the land should be allotted, in tracts not larger than 13 hectares, to persons of Slavic nationality. Land could also be distributed to communities for public purposes, to co-operative societies, and to individuals interested in building a home and starting a garden. Forest land up to 50 hectares in area could be allotted to communities and co-operatives, but would remain under State control. Confiscated buildings, and installations were to be turned over to co-operative enterprises for public use, and to individuals only in exceptional cases. Priority in allotment was assigned to persons who had actively participated in the war or who had been seriously affected by it. Allotments were to be made by locally elected farmers' commissions and by the appropriate national committees, whose decision must then be approved by the Ministry of Agriculture.

Payment for the allotments was to vary with the quality of the land and the family status and financial condition of the new owner. In the case of land, it was to represent the value of one to two years' harvest; in the case of buildings, one to three years' rent; and in the case of stock and appurtenances, the rent would be fixed by the Provincial National Committees. The rent could be paid in instalments, in money or in kind. In deserving cases, the Land Fund could grant property without compensation. The funds thus acquired were to be used by the Land Fund for paying off mortgages and debts on confiscated property or on property of people hurt by the war, for the improvement of land, and for the colonisation of the borderlands. Surpluses were destined for the national treasury.

Close to 3,000,000 hectares of land were affected by these decrees. Their confiscation and reallocation were virtually complete by the end of 1946. A total of 2,600,000 hectares were confiscated, of which 1,650,000 were arable land and the remainder forest land. By the end of October allotments had been made to 127,500 new tenants, who received arable land totalling 1,300,000 hectares. To these new farmers, 118,000 ownership certificates had been issued. In only a few cases did farmers receive more than the 13 hectares provided for by the decree, and in all such cases the excess remained the property of the National Land Fund, to which rent is paid. The allotment of the remaining 350,000 hectares of land is indicative of the variety of uses to which the German property was put. Fifty-two pasturing co-operatives received 150,000 hectares; agricultural co-ops received 2,000; research institutions received 10,000; judicial bodies, 4,000; educational institutions, 1,000; breeding and improvement stations, 2,000; independent organisations, 20,000; water boards, 13,000; mining and quarrying companies, 13,000; 10,000 hectares were allotted for fish ponds and 25,000 for training camps. The remaining 100,000 hectares were held by the Land Fund in reserve for additional allotments.

Sixty per cent. of the new tenants had been agricultural workers; the remaining 40 per cent., small farmers. They included former soldiers and partisans, and Czechs who had returned to the country from exile.

Migration to the borderlands involved workers, shopkeepers and administrative personnel as well as farmers, for property confiscations involved about 200,000 dwellings, 50,000 craft establishments and shops, 8,000 property units belonging to co-operatives, and 83,000 assorted properties. These too had to be allocated and distributed.

These figures pertain to confiscations and distributions of land in the borderlands of Bohemia and Moravia. A similar movement was afoot in Slovakia, though on a far smaller scale. In October 1946, the Slovak Commissioner of Agriculture reported that 56,000 hectares of land had been taken from Germans, 108,000 from Hungarians, 95,000 from Slovak collaborators, and 33,000 from Hungarian and Slovak organisations, in all a total of 292,000 hectares.

No clear-cut method was provided for disposing of non-agricultural property, particularly industrial enterprises. Government

departments reported at the end of 1946 that 11,200 of the latter had been confiscated, of which 64 per cent. had been nationalised or liquidated because they were considered too small, too obsolete or too inefficient, or because insufficient labour was available. There remained 4,000 industrial enterprises still in the hands of national administrators. How they were to be disposed of was still, at the beginning of 1947, the subject of vigorous debate both in and out of Parliament. Socialists, seeking to extend the range of public enterprise, demanded that they be absorbed into the nationalised industries. More conservative members of the Government objected and insisted that they be sold to individuals as private enterprises. An attempt at compromise on this issue in early 1947, has already been noted.³ A side issue to the debate, but equally violent, was the question of the priority to be given to national administrators in the distribution. They formed a powerful lobby in their own interest, opposed by those who remembered that many of them had acquired their positions through political favouritism, and that the records of the work of many others were records of inefficiency and dishonesty.

The flight of Germans from the borderlands started before the war was over, for they knew already that they would not again be treated as citizens of Czechoslovakia. The bulk remained to be expelled. The policy of the Czechoslovak Government had been accepted by the Great Powers at the Potsdam Conference, but the migration of Germans proceeded slowly until the beginning of 1946 when the movement really got under way. At the end of October 1946, the migration was officially declared completed. By mid-October, a total of 2,165,000 Germans had been expelled, 1,415,000 to the American Zone and 750,000 to the Soviet Zone. There remained in the country about 500,000, but these were to be allowed to remain. Part were Germans with proven anti-fascist records, who were to be admitted to full rights of citizenship; wives of Czechs, the aged and infirm, etc. The remainder were workers and their families considered essential to Czechoslovak industry. These too were to be absorbed into the community of Czechoslovak citizens.

Government encouragement or Government decrees were not needed to start the complementary movement of Czechs and Slovaks into the borderlands. Land and property were plentifully available at

³See pp 42-3 above.

little or no cost. Farmers in the interior with too little or too poor land, farm workers with no land but the desire for it, city dwellers unable to find adequate living accommodation or desiring to return to the land, adventurous persons who saw easy profits without an initial investment, flocked to fill the gap left by the Germans.

A Government decree of July 20 provided regulations for the allotment of land and farm property. A score of regulations in the year that followed were designed to give incentives to more migrants: cheap flats, nurseries, parks and recreational facilities, outright bonuses. The movement has been entirely voluntary, yet almost two million Czechs and Slovaks participated.

In 1944, Czechs living in the borderlands totalled 445,000. In August 1945, only three months after liberation, their numbers had tripled. By the end of 1946, it is estimated that 2,300,000 Czechs and Slovaks lived in the area. In the short space of 18 months, 1,800,000 people had migrated from their homes, lured by the promise of better land, of a higher standard of living, and of easily acquired property, by opportunity for economic adventure, or in some cases by sheer patriotism. The movement is not yet completed; an additional 380,000 are expected by the end of 1948.

The following table shows the Czechoslovak population of the borderlands in September 1946 and the anticipated population at the end of 1947 and of 1948.

Czechoslovak Population in the Borderlands

	<i>September, 1946</i>	<i>December, 1947</i>	<i>December, 1948</i>
Agriculture . . .	570,200	664,000	680,000
Industry . . .	562,800	763,000	880,000
Trade and crafts .	500,000	563,000	570,000
Transport and services	489,400	550,000	550,000
	<hr/> 2,122,400	<hr/> 2,540,000	<hr/> 2,680,000

Source : Czechoslovak Resettlement Office, Prague.

The expulsion of more than 2,000,000 Germans and the accompanying internal migration of an almost equivalent number of persons, reduced the population of the country, changed its composition, and shifted the weight of the three provinces. Eight years after the last general census of 1930, the total population of Bohemia, Moravia and Slovakia was larger by 605,000 persons. In the post-war period there has been no census; population estimates are based

on the number of ration cards distributed month by month. Since the armed forces do not receive regular ration cards, these estimates cover only the civil population. On this basis, exile, death by violence, mobilisation for labour in other parts of Europe, and the immediate post-war flight of Germans brought the population of the country down to 13,953,000 on August 31, 1945. Month by month it declined thereafter, until it reached 12,003,000 at the end of December 1946, of whom less than 4.2 per cent. were German. A slight recovery is expected during 1947 due to the continued repatriation of Czechs and Slovaks.

Population of Czechoslovakia
(in millions)

	<i>Bohemia</i>	<i>Moravia-Silesia</i>	<i>Slovakia</i>	<i>Total</i>
1930, December 1	7,109	3,565	3,330	14,004
%	50.7	25.5	23.8	100.0
1938, December 31	7,347	3,698	3,564	14,609
%	50.3	25.3	24.4	100.0
1945, August 31	6,976	3,517	3,460	13,953
%	50.0	25.2	24.8	100.0
1945, December 31	6,794	3,490	3,454	13,738
%	49.5	25.4	25.1	100.0
1946, December 31	5,504	3,040	3,459	12,003
%	45.9	25.3	28.8	100.0

Source : *Statistický Zpravodaj*, March 1947, p. 111.

Thus in eighteen months, the population of Czechoslovakia fell by almost 2,000,000, and the loss was sustained entirely by the Czech Lands. At the end of December 1946, the population of the Czech Lands was 2,130,000 less than in 1938, while that of Slovakia was 129,000 higher. Slovakia now has 28.8 per cent. of the population of the country. The Czechs themselves have thinned out. The density of Bohemia has fallen from 137 persons per square kilometre in 1930, and 141 in 1938, to only 106 at the end of 1946. The density of Moravia-Silesia has dropped to 113. But the density of Slovakia has risen slightly to 71 persons per square kilometre and will continue to rise more rapidly than that of the Czech Lands, for its birth rate is higher.

Such changes in the composition of a population have subtle effects. For instance, the pattern of the nation's consumption will be affected. The population lost consisted primarily of persons of relatively high consumption standards, in food, in clothing and in other manufactured articles. These standards were based on a relatively high per capita income. The population of Slovakia is considerably

poorer in income. The reduction in total population means a reduction in the internal market for consumers' goods, at least temporarily. The fact that an area of low purchasing power and primitive standards of consumption now constitutes a larger proportion of the population than before, means that the decline in the home market will be even greater than the absolute fall in population would indicate—unless the government can, by artificial means, raise Slovak consumption, and until by long-term investments in agriculture and industry, the Slovak standard of living can be raised. The nature of consumption, as well as its quantity, will be different; and since relatively more goods will have to go greater distances from the manufacturing centres of Bohemia and Moravia, there is bound to be more emphasis on the development of distribution and transport facilities in the remote parts of Slovakia. In any case, industry must be adjusted to the new home market, and foreign trade must be subjected to complementary adjustments. In an economy of free enterprise, a manufacturer formerly supplying the home market might decide to go out of business or to export his output. In a controlled economy, he might be permitted to do so—or purchasing power might be so regulated and supported that he could continue to manufacture for home use.

Slovakia's contribution to the national income will now be greater than ever before. And this, in addition to the greater weight of its population, will enhance its political power, which will undoubtedly take the form, among other things, of demands for greater Government expenditures and capital investment in Slovakia. The loss of administrative as well as manual workers in the Czech Lands and the absolute shortage of labour, might mean that fewer Czechs will be available as teachers, managers, and officials for Slovakia—unless the Government can properly organise the distribution of labour and until the large unused reserves of Slovak labour can be drawn off the land and trained.

THE LABOUR PROBLEM

THE movement of Czechs and Slovaks to the borderlands might alleviate local problems of manpower shortage or deficiencies of skilled and administrative personnel created by the expulsion of the Germans, but it could not solve the nation-wide labour problem.

As in almost every country in Europe, particularly in Eastern Europe, the shortage of labour and of skilled labour especially has become in Czechoslovakia a major issue of public discussion and policy, for it is the ultimate and decisive factor in the recovery of production.

The only source of information concerning the total number of gainfully employed is the obligatory sickness insurance system, which gives a rough picture of the effect of the war on total employment and on its trend since liberation. The following table shows the total number of employed persons in May 1938, September 1945, and May and November 1946.

Employment in Czechoslovakia
(in thousand persons)

	<i>Private Employment</i>			<i>Public Service</i>	
	<i>Manual</i>	<i>Non-manual</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>
May 1938 .	2,486	466	2,952	451	3,403
September 1945	2,055	512	2,567	456	3,023
May 1946 .	2,270	580	2,850	554	3,404
November 1946	2,060	561	2,621	604	3,225
Change, in per cent. .					
January—August 1945 ⁴	-23	-7	n a.	+17	-15
September 1945—May 1946	+10	+13	+11	+21	+13
May 1946—November 1946	-9	-3	-8	+9	-5
	<i>Czech Lands</i>			<i>Slovakia</i>	<i>Total</i>
January—August 1945 ⁴ .	-19			+11	-15
September 1945—May 1946	+11			+22	+13
May 1946—November 1946 .	-8			+12	-5

n.a.—not available.

Source : *Statistický Zpravodaj*, March 1947, p. 102, and April 1947, pp. 154, 173.

In the summer following liberation, overall employment was at 89 per cent. of its 1938 level and by May 1946 had fully recovered. Yet an important change had occurred in the structure of employment. The number of manual workers continued to be beneath the pre-war level, while that of non-manual workers and the civil service, which was higher than pre-war even in September 1945, continued to grow. Employment grew from September to May by 13 per cent.; but manual workers increased by only 10 per cent., while the public service grew by 21 per cent. and non-manual workers by 13 per cent. The following tabulation of the ratio of workers to salaried

⁴ Excluding the Borderlands

employees and of private to public employment is adequate evidence of the post-war flight into non-manual jobs and the public service.

*Relationship Between Manual and Non-Manual Workers and
Between Public and Private Employment*

	Number of Labourers per Non-manual Worker			Number of Private Employees per Public Employee		
	Czech Lands	Slovakia	Total	Czech Lands	Slovakia	Total
January 1945 ⁵ ..	4.3	3.8	4.2	7.4	3.3	6.5
September 1945	3.8	5.9	4.0	5.9	3.9	5.6
May 1946	3.7	5.4	3.9	5.1	4.9	5.1
November 1946	3.5	4.8	3.7	4.4	3.9	4.3

Source : *Statistický Zpravodaj*, April 1947, pp. 155, 173.

It is important to note that these changes are not evenly distributed through the country. The unfavourable developments were concentrated in the Czech Lands. Overall employment in Slovakia did not fall with liberation. The number of manual workers actually increased by 21 per cent. from January to August 1945. In the Czech Lands, in the same period, while manual labour fell by 29 per cent., the public service rose by 22 per cent. Since September 1945, the rate of employment has been continually greater in Slovakia. In the field of public service, Slovak employment rose by only 3,200 from September to May, but Czech employment increased by 94,600.

Officials of the State Statistical Office believe that the 3,404,000 registered employment of May 1946 was the maximum available to the country, and that employment thereafter is likely to decline slightly in proportion to the expulsion of Germans. Sickness insurance statistics bear out the view. Overall employment dropped steadily from May to November (to 3,225,000), and the decline occurred entirely in the Czech Lands and almost entirely among manual workers. Not until October did non-manual workers begin to decrease in numbers. In the second half of 1946, Slovakia showed the signs of rapidly increasing civil service and non-manual employment.

The shortage of labour in Czechoslovakia, therefore, insofar as it is a shortage at all is a shortage of agricultural and industrial labour, which has been aggravated, if not caused primarily, by the flight from manual work. The decline in industrial labour can

⁵ Excluding the Borderlands

be shown directly from official month-by-month statistics, which indicate that the number of workers has declined in some industries and that the ratio of productive to non-productive workers has fallen. These facts are directly attributable to the war. To some extent they were aggravated by the political upheaval that followed liberation.

Immediately after liberation the decline in industrially employed persons was actually much greater than the decline in population would indicate. The continued superannuation of workers and the reduced supply of new recruits to their dwindling ranks, the deterioration of health during the occupation, the incapacity of those who had been forced into concentration camps, the loss of the labour that had once been available from the Trans-Carpathian Ukraine, all had depressing effects on the supply of manpower. The situation was worsened by the effort, immediately after the war, to escape from arduous manual labour to lighter clerical positions and by the tremendous growth in the size of public service. The establishment of national committees throughout the country, as well as the expansion of the central Government offered opportunities both for light work and for political standing.

These facts conspired to reduce the total number of those employed in industry in the Czech Lands from 1,197,700 in December 1937 to only 940,600 in October 1945 (excluding the building industry), a decline of 22 per cent. In the nation as a whole industrial employment declined by 20 per cent., from 1,298,000 to 1,038,600, in the same period. Even these figures do not represent the full depth of the decline in industrial employment, for during the war employment had risen both in Slovakia and in the Protectorate, until in December 1944 it reached 184 per cent. of its pre-war level.

The war-time increase in employment was not evenly distributed among all industries. On the contrary, employment in some fell heavily. Those that did decline (breweries, quarrying, ceramics, glass, clothing, textiles, leather, typography) were the industries in which the Germans had little interest. Nor was the post-war decline in employment evenly distributed. Only the power, central heating, typographical and sugar refining industries registered increases over 1944 employment levels; and only mining, sugar refining, milling, electric power, chemicals, gas and central heating showed increases over 1937. In all other cases employment fell. In October 1945,

textile employment was only 57 per cent. of 1937; leather, 57 per cent.; quarrying and ceramics, 49 per cent.; glass, 61 per cent.; clothing, 62 per cent. But mining was 20 per cent. higher, and power 75 per cent. higher. In general, the steepest declines occurred in the light and consumers' industries, and in those which the Germans had also allowed to decline.

These totals, which include both manual and clerical workers, obscure the changes in the ratio of productive to unproductive workers. According to official figures, in 1935 there were 9 labourers for 1 white-collar worker in industry, while in October 1945 the number was only 5.2. The following table shows the change in the ratio of productive to non-productive workers in the major industries.

Relation of Labourers to White-Collar Workers in Industry
(number per one white-collar worker)

	1935	October 1945
Mining .. .	14.1	11.8
Food processing .. .	5.9	4.6
Iron and steel .. .	6.9	4.6
Timber and wood .. .	15.2	5.4
Paper .. .	9.4	6.9
Chemicals .. .	3.8	3.2
Earths and ceramics .	16.5	7.0
Glass . . .	10.3	5.2
Textiles .. .	10.0	6.0
Tanning and leather .	13.1	7.1
Printing .. .	6.9	4.3

Note: 1935 figures are for whole of Czechoslovakia; 1945, only for Czech Lands.

Source: *Sborník O Vystavbě CSR*, p. 89.

The change is even more spectacular when the figures for 1945 are compared with those of 1944. In the Skodovy Zavody Pilsen, the proportion of white-collar employment rose 74.8 per cent. in one year; in the Ceskomoravska Zbrojovka at Brno, by 65.2 per cent.; and in other large firms, proportionately.

The loss of employed persons (not in itself so great) was made more serious by the decline in labour productivity. Six years of malnutrition and of working under forced labour conditions, were bound to have their effects on the health of Czechoslovak labour and therefore on its productivity. Six years of effort to slow down work, in an effort to sabotage German industry, had an inevitable effect on morale which could not immediately be overcome. The

deterioration of physical equipment through lack of maintenance unfavourably affected productivity. The inability to make full use of capacity, the conversion to peacetime work, and the widespread administrative reorganisation associated with the nationalisation programme also brought productivity down. Precise statistics of the decline are available for only a few industries. In coal mining, for instance, one man in one shift produced 1.41 tons of black coal and 2.29 tons of lignite in 1937. In May 1945, his output was only 0.35 tons of the former and 1.06 of the latter.

Since the Summer of 1945, the Czechoslovak Government has tried by the pressure of legislation, by propaganda and by social and monetary incentives to counteract the effects of war and liberation on industrial labour. In June 1945, district and provincial labour offices were established to allocate labour, carry out wage policies, inspect factory conditions, and watch over other aspects of labour welfare. Administrative boards supervising the labour offices are appointed jointly by the provincial national committees and the trade unions. At the same time employers were enjoined to report within three days of all cases of the dismissal or hiring of new employees. Dismissals were made subject to approval by the district offices. In September compulsory labour was decreed for all persons who had lost their citizenship, that is, for all Germans and Hungarians. On October 1, a similar decree was issued covering Czechoslovak citizens capable of work, who were not already permanently employed. Exemptions were granted only to students, mothers taking care of children, and women doing active housework. Government agencies were to allocate work (for one year) on the basis of a person's economic and social circumstances and training. In the following May, anticipating a shortage of farm labour, the Government decreed three months of compulsory labour in the fields for all men from 15 to 55 and all women from 15 to 45. Other measures of a similar nature have assured that there will be no unemployment or under-employment, and that labour will be directed to the industries and places where it is most needed. Since November 1945, there has in fact been only frictional unemployment or temporary and local unemployment produced by raw material shortages and plant breakdowns.

The Government has also attempted to import labour. Negotiations were undertaken with Italy, Bulgaria and Yugoslavia, but until the end of 1946 no conclusions had been reached.

While such measures may have had some effect in increasing the supply of industrial labour (and certainly did provide agricultural labour), they were insufficient, for they affected primarily casuals, students, housewives, etc., who could make no permanent contribution to the manpower availabilities. But efforts have also been made to recruit new young men and women to industry, and a widespread training programme has been launched for the training of skilled personnel.

It is notable, too, that the original intention of the Government to expel all Germans was modified in an effort to satisfy the demands for labour. Since the Summer of 1945, requests have been made, sometimes by particular enterprises and sometimes by Government departments, to keep certain blocs of Germans deemed essential to an industry. At the end of 1946, 59,000 still remained as industrial workers in Czechoslovakia.

Of much greater importance were the measures taken by the Government to give new incentives, both monetary and social, to industrial labour. These incentives were designed both to raise the volume of employment and to increase productivity. One of the first such efforts was a series of decrees raising industrial wages. During the occupation wages had been generally stabilised, but at a level lower than that of prices. Although it was the policy of the Ministry of Labour and Social Welfare in the period immediately after liberation to maintain the existing level of wages, increases were allowed in certain sectors of industry of special importance in reconstruction and where wages were notoriously low. In general the principles on which the increases were based were to attract new workers and to even out the discrepancies between men and women and between skilled and unskilled workers. Such measures were for instance taken with regard to agriculture, mining, and the brick, chemical, and sugar-processing industries; and on July 4, 1945, a Government order imposed equality in wages for men and women performing the same work.

The first overall increase in wages occurred in December 1945, in conjunction with the currency and price reforms. The former measure so seriously reduced the volume of currency available to the ordinary individual, that work was absolutely necessary to acquire even the minimum essentials for living. The latter raised all prices to almost three times the 1939 level. In January 1946, the

wholesale price index was 267 (March 1939=100); and the cost of living indices were 307 and 277 for a labourer's family and a white-collar worker's family respectively, in Prague. A comparable increase in wages was essential. The same principles were applied now as during the previous summer, and the general level of wages was fixed in terms of the standard of living the Government thought the nation could afford during the period of reconstruction. Wages have remained practically constant since that time, at about 303.

These indices do not in fact show how much wages have risen, for they do not include the extras acquired by night work, overtime, family allowances, etc. According to the Central Social Insurance Institute, which insures all agricultural and industrial workers in Bohemia and Moravia, the average actual income of labour in those provinces was 72.20 crowns per day in February 1946, compared with 19.67 in the Protectorate in 1939. Thus daily wages rose by 267 per cent. in the same period in which the cost of living of a worker's family rose 210 per cent. The average wage and salary in industry was 2,458 crowns in the month of February, but had risen to 3,150 in September 1946.

Equally important as an incentive to labour has been the fact that both as individuals and through the trade union movement, workers have acquired a degree of participation in the conduct of industry. This will be discussed in detail later. Suffice it to say for the moment that the establishment of factory councils consisting of workmen and having a certain jurisdiction over matters affecting labour welfare, the provision that factories must set aside a certain proportion of their profits for recreation, etc., the role of the trade unions in appointing members to all governmental and industrial bodies affecting labour have had an inevitable effect in making the workmen feel a sense of ownership both in his Government and his factory, with very favourable effects on his morale and his productivity. Certainly one of the most important measures of this type was the nationalisation of industry, which made the bulk of the nation's industry public property. The entire social programme of the Government is relevant to this point, for an adequate system of social protection is important from the point of view of assuring the willingness of workers to work.

Various other steps have been taken to increase production and productivity. Voluntary labour brigades have been encouraged. The

Stakhanovite system has become widespread, especially in the heavy industries. Factory competitions have been introduced, with special awards frequently given by cabinet ministers in public.

These measures have from the beginning been accompanied by ceaseless propaganda designed to lift popular morale by pointing out the individual's proprietary interest in the national income. No aspect of the nation's economy has received more publicity in both official discussion and the press, than the labour shortage; and no exhortation by Government official or political party has been greater than the exhortation to work.

The effect of all these measures has in fact been to increase the supply of manpower. Every industry has shown improvement. Employment in industry as a whole rose by 15.3 per cent. from October 1945 to December 1946. In the Czech Lands, industrial employment at the end of 1946 stood at 88 per cent. of 1937. In Slovakia, industrial employment, which never fell far below 1937, was 45 per cent. higher than in 1937.

Industrial Employment in Czechoslovakia
(in thousand persons)

	Czech Lands		Slovakia		Total	
	Number	%	Number	%	Number	%
December 1937 ..	1,198	100	100	100	1,298	100
December 1944 .	1,564	131	174	174	1,738	134
October 1945 ..	941	79	98	98	1,039	80
December ..	1,024	86	110	110	1,134	87
March 1946 .	1,026	86	115	115	1,141	88
June	1,035	86	121	121	1,161	89
September ..	1,008	84	134	134	1,142	88
October .	999	83	136	136	1,135	87
November ..	1,037	86	140	140	1,177	91
December ..	1,052	88	145	145	1,197	92

Note: Exclusive of the building industry.

Source: *Statistický Zpravodaj*, April 1947, p 162.

Although improvement has been general, most industries are still below their 1937 levels of employment. Those which sustained the greatest loss by virtue of the expulsion of Germans are still farthest below pre-war standards: textiles, glass, leather, ceramics, clothing, wood. On January 1, 1947, in the Czech Lands, producer's goods industries stood at 99 per cent. of their 1937 level of employment, while consumers' industries were still at 74.

The official statistics also show that the loss of the Germans has been largely made good. Total employment in the Czech borderlands rose from 646,000 in September 1945 to 843,000 in May 1946 and fell to 748,000 in August, but the proportion of Germans fell from 62.6 per cent. to 27.3 per cent. In the Czech Lands as a whole Germans constituted 22 per cent. of all industrial workers in October 1945, but only 5.5 per cent. in January 1947. At the beginning of 1946, Germans made up more than half the total number of employees in nine borderland industries; 12 months later they constituted more than 20 per cent. in only 4 industries: glass, ceramics, mining, and woodworking.

There has been an equally salutary improvement in productivity. According to the official Czech view, productivity per person has risen, on the average for all industry, from about 67 per cent. of normal in September 1945 to about 90 per cent. at the end of 1946. The following table, covering coal mining, shoes, and cotton yarns, shows the improvement of per capita productivity since liberation and shows too that it is still below pre-war level.

Development of Labour Productivity Since Liberation

	Output of Coal per Person per Shift				Output of Shoes per Worker per Day ⁷	Output of Cotton Yarn per Person per Day
	Black Coal		Lignite		Prs. of Shoes	Kilograms
	Tons	% of 1937	Tons	% of 1937		
1937 ⁶	1.41	100.0	2.29	100.0	6.9 (1940)	342
May 1945	0.35	24.8	1.06	46.3	n.a.	n.a.
June .	0.55	39.0	1.51	65.9	1.8	n.a.
July .	0.66	46.8	1.56	68.1	1.9	n.a.
August	0.71	50.3	1.71	74.7	2.3	n.a.
September	0.73	51.8	1.64	71.6	3.6	n.a.
October	0.77	54.6	1.72	75.1	3.2	173
November	0.80	56.7	1.79	78.2	4.1	n.a.
December	0.82	58.2	1.67	73.8	4.9	n.a.
January 1946	0.85	60.3	1.71	74.7	4.8	198
February	0.85	60.3	1.76	76.9	5.0	174
March .	0.88	62.4	1.75	76.3	5.4	195
April .	0.88	62.4	1.77	77.3	5.3	191
May ..	0.90	63.8	1.81	79.0	5.2	195
June ..	0.90	63.8	1.72	75.0	5.4	188
July ..	0.98	69.5	1.76	76.9	5.3	127
August	0.99	70.2	1.80	78.6	4.8	194
September	1.00	70.9	1.87	81.6	5.0	213
October ..	1.04	73.8	1.84	80.3	4.9	n.a.
November ..	0.99	70.2	2.09	91.3	5.0	n.a.
December	0.96	68.1	2.08	90.8	n.a.	n.a.

n.a.—not available.

Source: Czechoslovak Ministry of Industry, Prague.

⁶ Monthly average.

⁷ At the Bata plants.

In general, productivity was best and had made the greatest improvements in medium and small enterprises, where reliance on machinery was greatest, and where old workers had not been replaced by youth. There has been no corresponding improvement in the ratio of productive to non-productive workers. In October 1946, there were still 5.2 labourers for each white-collar worker in Czech industry, compared with 5.6 in October 1945. Nor had there been much success in removing people from the public payroll to industry; on the contrary, their numbers increased. The reasons for the failure in both instances were similar. The growth of the Government and of local administration since liberation had given not only to individuals, but also to political parties, a vested interest in the preservation of jobs. In industry as well, the post-war flight to clerical jobs was enhanced by the expansion of administrative functions that followed nationalisation and the establishment of factory councils and other such institutions. Not only did individuals and political parties now have an interest in the jobs that had been created; it was still open to doubt that in the programmes that had been undertaken, the administrative jobs could be reduced.

The growth of the public service has reduced the number of persons available for manual labour and increased the drain on the State Treasury. It is estimated that, including national committee members and employees of local governments, there are about 790,000 civil servants in Czechoslovakia. Direct employees of the central Government numbered, in August 1946, 571,300 persons compared with 459,000 in 1938, an increase of 24 per cent., although in the same period the population of the country fell by about 16 per cent. About half the public service consisted of persons engaged in public enterprises, but these persons have not increased at so rapid a rate as has administrative personnel. In the Czech Lands, from September 1945 to August 1946, transport employees increased by 14 per cent., and postal employees by 25 per cent., but other public employees by 41 per cent. By the end of 1946, the situation had become sufficiently serious to become the subject of parliamentary debate, and the Budget Committee of the National Assembly demanded a reduction by 100,000.

The reduction of the civil service will not be a simple task. The parties of the Left demanded a new bureaucracy to assure the effectiveness of their programme. This meant not only an increase in per-

sonnel, but also at least temporary inexperience and inefficiency and the distribution of jobs on the basis of party affiliation. Reduction now is dangerous to party prestige. So universal is the demand, however, that at the end of 1946 it seemed likely that the parties would agree on uniform reduction of personnel on a self-imposed quota system.

Measures to increase the supply of manual labour were of course only one aspect of the improvement of the labour situation, and there were limits to the extent to which these could be effective: limits set by the population itself, by the physical plant of the nation's industry, and by the degree of mechanisation of its agriculture. The further mechanisation of agriculture and the modernisation and rationalisation of Czechoslovak industry would not only make more manpower available, but would also reduce the need for it and raise its productivity. These, rather than increasing the size of the labour force, were the long-run solutions of the labour problem. But they were matters for long-term investment and required national economic planning.

THE LABOUR MOVEMENT

ONE of the most important factors in the recovery of labour morale has been the new role of labour in the economic life of Czechoslovakia. The once scattered and diffused labour movement has been reorganised and unified, and has won for itself the right of direct participation in industrial management and of advisory and administrative participation in Government.

Labour has enjoyed the right to assemble and combine in Czechoslovakia since the 1860's, but while the growth of the number of trade unions was rapid, their membership lagged until the establishment of the Republic. In the twenty years of the First Republic, the strength of the movement grew rapidly from 371,000 to about 2,250,000, and was reflected in a broad system of social insurance and in legislation providing for labour representation in governmental social insurance and unemployment agencies and other such organisations.

The power of the pre-war labour movement was considerably less than its size warranted, due chiefly to its fractionisation into hundreds of craft and politically antagonistic unions. In the late

1930's the number of unions reached about 700, of which only 485 were organised into 19 nation-wide centrals, while the remainder were independent. The unions were almost entirely organised by crafts, and within the same crafts different and antagonistic unions were formed under the sponsorship of political parties or of nationalities. This diffusion was the result partly of the general political structure of Czechoslovakia, partly of the self-conscious cohesiveness of the various nationalities that made up the State, partly of the craft tradition of Czechoslovak industry, but above all, of the strength of the middle-class of the country, which had historically been the leader in the one cause in which all Czechs and Slovaks could unite: the struggle against the Austro-Hungarian Empire. The result of the latter fact was both a haziness in the lines of social demarcation and the slow development of class self-consciousness, even among those who formed a distinct working class.

Long before the war, most of the nation-wide central unions had expressed their desire to unite the trade union movement, and actual negotiations were begun to determine the conditions under which unity could be attained. Negotiations came to an end with the Munich crisis, which also produced a widespread attack on the labour movement generally and forced its more vigorous leaders into the underground.

The occupation of Czechoslovakia, which resulted in the dissolution of independent trade unions, was at the same time responsible for both the present unity of the labour movement and its revolutionary character. Under pressure first of the puppet Czechoslovak Government and later of the German authorities in the Protectorate, all trade union centrals were dissolved and their members organised into two unions, one for private employees and one for civil servants. The subversion of the two legal unions to the interests of the Protector led the underground leaders to the conviction that only in unity could they hope to hold out against complete annihilation. They learned an even more important lesson when they realised that the problem of *national* liberation was closely associated with *social* liberation. The upshot was the formation of a Central Council of Trade Unions and the projection of a united trade union movement based on a conception of self-conscious class interest, though it included a broad range of political opinion. This organisation became one of the largest and most potent participants in the national resist-

ance movement. During the war it was concerned almost exclusively with anti-German activity. Its only strictly trade union activity, the preparation of a programme for use when liberty was achieved, was then of secondary importance.

The sudden collapse of the German army and police in the industrial areas of Bohemia and Moravia gave the Central Council an opportunity to enhance its power and prestige. Its membership was particularly prominent in local uprisings in Prague and in other industrial towns. Its revolutionary guards, in the chaotic days immediately before and after the liberation, assumed police duties in many towns. Factory committees, consisting in part of its members and generally under the direction of its leaders, were formed to protect industrial plants and property.

Immediately after the liberation the movement proclaimed itself the one and only trade union organisation in the Czech Lands and proclaimed its adherence to the Kosice Programme, in the drafting of which its leaders participated. The political parties of the National Front in turn recognised the Revolutionary Trade Unions Movement (ROH) as the single organisation competent to represent the interests of Czech workers. A comparable trade union movement had been established in Slovakia under similar circumstances, and the two organisations maintained close liaison pending the liberation of the Republic, after which it was planned to bring the two groups together in a single body. Not until April 1946, however, was the United Revolutionary Trade Unions Movement of Czechoslovakia established. The relationship of ROH to the National Front Government of Czechoslovakia and its role in the nation's economy can be understood only in terms of this revolutionary origin.

ROH is based on the principle of industrial unionism; all employees of a single plant or office, whether wage or salary earners, belong to the same trade union. Trade unions had their origins in medieval craft guilds. The technological evolution of industry and the growth of large-scale enterprise, as well as the growth of working-class consciousness, have gradually broken down the craft tradition and given the dominant position in the labour movement to industrial unionism in practically every country in the world. The strength and prestige of the trade union movement has in the present century been a function of the strength of industrial unionism. By organising exclusively on an industrial basis, the Czechoslovak movement has

strengthened its internal unity and assured itself a position of influence in the country.

The voluntary union members in individual factories are the base of the trade union hierarchy. All functional and regional bodies up to the apex of the movement are elected ultimately by the plant unions or by their delegates. The factory unions are directed by factory committees elected by all its trade union members. Each of these committees has sub-commissions charged with supervision of the various activities in which the unions participate. Plants employing less than twenty people are generally not organised into individual unions, but do participate in the local trade union organisations in which all the unions of a particular area are associated. The locals combine in district organisations, which are in turn united in provincial bodies. Plant unions in particular industries or branches of work are also associated on a nation-wide scale in 21 federations, representing all fields of industry, the arts, sciences, and professions, and even the police and regular army. Each of these local and nation-wide federations has its own administrative organs elected by the membership to study and make recommendations regarding trade union activities.

The governing body of the entire movement is the Central Council of Trade Unions (URO) consisting of 120 members elected, like the triennial All-Union Congress by which it is chosen, to represent proportionally all regions and all federations, and to assure a minimum representation of one-fifth to the Slovak unions. URO itself operates through 21 committees, which are the central organs of the various nation-wide federations, seven commissions in charge of organisation, finance, propaganda, etc., an Executive Committee, a Secretary, and a President.

The organisation of ROH, from its base to its apex, is highly complicated. As late as the end of 1946, however, the movement in reality had only a base and an apex, for the plans of organisation between had yet to be carried out according to the elective procedure prescribed in the statutes of the movement. But the base was broad. In January 1947, ROH had about 2,100,000 members, of whom 86 per cent. were Czech and 14 per cent. Slovak. Though this membership made it the largest single organisation in the Republic (and it was still growing) it still fell short of the pre-war peak, a fact which may be attributed to the decline in the working popula-

tion and to the recruitment of new workers from rural areas and from Slovakia, rather than to any widespread unwillingness to join.

The position of the labour movement is recognised by the Czechoslovak Government. ROH was accepted by law, even before it was finally established in April, as the single trade union organisation of the country competent to organise and protect the rights of all workers. It has the right to regulate its own organisation, to create or dissolve any of its individual branches, to watch over working conditions, to make sure that workers fulfil their duties as citizens, to see that every worker has a right to work and is actually employed to the best of his capacity, to plan and supervise work programmes, and to collaborate with the labour movements of other countries.

To fulfil these functions, ROH has the power to participate and to make suggestions in all legislative and executive discussions concerning matters affecting workers. More important still, it has the right to representation on all public bodies not popularly elected. All public and private bodies must support ROH and grant full facilities for carrying out its activities, including even the examination of accounting records. Finally, the assets of all previously existing unions were turned over to ROH, and the organisation was excused from the payment of certain types of taxes.

By this act of recognition the direct participation of labour both in Government and in enterprise was assured. In addition, other acts and decrees of the Government brought labour into closer contact with industry and Government. For instance, the revolutionary factory committees were legalised by a decree of October 24, 1945. Factory councils must be elected in every public and private enterprise employing more than 20 persons. In enterprises under national administration, conditions for the establishment of councils were to be laid down by the Ministry of Labour and Social Welfare, but on the basis of proposals by ROH. It was provided that the right of ROH to represent the interests of employees would not be affected by the same right belonging to the factory councils, but this might in any case be an academic point for, although all the employees of a factory elected the council by secret ballot, the list of candidates was to be prepared by the factory union. Moreover, the activities of the factory councils were to be directed by the trade unions. The management was obliged to pay council members for time lost from work, to release if necessary one or more members of the council

for full-time duty, to furnish accommodations for its activities, and to turn over to the council at least 10 per cent. of its profits for the social needs of the workers. These provisions apply to public institutions as well as to private enterprise.

Although it is specifically stated that management, rather than the workers' council, is responsible for the running of the enterprise, the decree empowers the councils to participate in management in an advisory capacity, to protect labour welfare, to participate in the regulation of working conditions and wages, employment and release of workers, and the establishment of welfare institutions, and to take part in the planning and control of production. Conversely, management is obliged to negotiate questions concerning employees with the council, to allow the council access to records of production and wages, and to consider all its proposals regarding production and administration. Both fines and imprisonment were prescribed for abuse of the rights either of the factory council or the factory administration.

The decree was obviously vague and full of inconsistencies. Yet one thing was clear: that labour by right was acknowledged a potent position in management.

Similarly, the revolutionary guards, which in May 1945 turned out to protect industrial property, were by an order of July 1945 converted into legal factory police. The police is not a trade union army, but it is formed by plant employees whenever the latter think it necessary. District Offices for the Protection of Labour have been appointed. Though their main task is the unpopular one of controlling the labour market, they have been accepted first because of the need for their activity, and second because the Offices are administered by central committees chosen in part by the Government and in part by ROH. The presidents of the committees are chosen from a list of candidates submitted by ROH.

The principle of the "right to work" has been widely accepted and will undoubtedly be specifically cited in the new Constitution. Such a guarantee, of course, can be effective only when the State plans production, including the utilisation of labour. It cannot therefore be divorced from the overall social and economic policy of the Government. The land reform, the nationalisation programme, the institution of central economic planning, and the promise of a thorough social reform seemed to most people convincing evidence

that the Government was willing to make the 'right to work' effective and that their Government was now what had come to be known in Central and Eastern Europe as a 'People's Democracy.' The legalisation of the formerly underground national committees, and their adoption as a permanent part of the administrative machinery of the country, while not directly a function of the labour movement, nevertheless convinced the movement of the democratic base of its Government.

Satisfaction with the tendency of the Czechoslovak Government made propaganda for production rather than demands for labour welfare, the characteristic activity of ROH during 1945 and 1946. The point of view of the organisation was expressed by its President in the following terms:

In a liberal capitalist society trade union activities are concentrated, in principle, upon the fight for improved living and working conditions. In a People's Democracy, however, trade unions participate directly in the building of the State, putting their main efforts on the elimination of those factors which result in the exploitation of men by men. The consequent realisation of the Kosice Programme furnished the working people with the right to participate in decisions concerning all economic sectors of the State. The century-old demands of the working people have now been fulfilled.

With the nationalisation of key and large-scale industries, financial institutions and insurance companies, the possibility for exploiting modern technical means, for planning economic reconstruction, and the proper organisation of human work in the interest of the best and most productive economic life are being given. The trade union organisation, therefore, must concentrate its activities on increased production, securing transport, and aiming at the production of more, better and cheaper commodities. This can be achieved by increased working morale, solidarity, and a greater sense of responsibility and enthusiasm for work. The Revolutionary Trade Unions Movement will mobilise and organise all productive forces for the country's reconstruction. National competitions will continue, even on a larger scale, so as to enable all working people to participate in the great effort.

The Czechoslovak trade unions have been in the vanguard of those who since the liberation of the country have demanded, and sought to find ways of encouraging higher production. The trade union leadership has acknowledged the continued existence of a broad range of private enterprise in the country, but nonetheless is convinced

that a firm democratic basis has been laid for labour participation in these as well as in public enterprises. Socialists in the trade union movement, who foresee and approve continued restriction of the field of private enterprise, acknowledge that the process of technological and economic development in years to come will inevitably work towards that goal, and that therefore law rather than violence is the instrument of socialisation, so long as the Czechoslovak Government adheres to its present programme and tendencies.

This does not mean that the Trade Unions Movement has relinquished its traditional means of applying pressure either upon individual employers or on the Government. On the contrary, it has vigorously insisted on the maintenance of its right to strike. The President of the Central Council declared in September 1946, that 'we have given up strikes as a weapon for protection of workers' rights knowing that every hour is valued. But we wouldn't hesitate to use this weapon if anybody would try to revive the conditions of the First Republic after the working people have brought about order in production and economy.' It is highly unlikely, however, that under present circumstances the Trade Unions Movement will sanction any strike in Czechoslovakia. None has thus far been organised by the URO or received its approval, for a strike would in effect be a protest against decisions made by a Government on which the Trade Unions Movement exercises a major influence. Those that have occurred have not received the backing of headquarters and have been based exclusively on issues of local significance. The only important effort made to deny to the trade unions the right to strike was the provision written into the draft of the Two-Year Plan by the Ministry of Justice, but the provision was dropped from the Act as it was finally passed.

The concentration of its energies in support of the Government's production programme has sometimes brought forth the comment that ROH is an instrument of Government policy (or vice versa) and the comparison of ROH with the trade unions of the Soviet Union. It is possible to point out two basic differences between trade unions in Czechoslovakia and those of the U.S.S.R. In the latter, a dictatorship of the proletariat was necessary to give the unions the position they sought in society; in the former, civil war was unnecessary, thanks to the experience with fascism and the war against Germany. The second difference derives from the fact that, despite democratic procedures

within the unions of the U.S.S.R., communist leadership is the essential and necessary link between unions and Government. In Czechoslovakia, though the President of ROH is a Communist, the Secretary General is a Social Democrat and the editor of its official newspaper is a National Socialist. Communist Party members are reported to dominate the Central Council, but the entire range of party opinion is represented. The necessary condition of unity in the labour movement and of union participation in the Government is not, therefore, the domination of a particular party, but the unity of the political parties of the National Front. In a sense the unity of the labour movement now is a reflection of the unity in Government. Trade union leaders have acknowledged that fact by the vigour with which they have supported the National Front. This difference between the unions of the U.S.S.R. and those of Czechoslovakia is also the upshot of the nation's experience during the past ten years.

All this must not be taken to mean that there are no differences within ROH or that there are no differences between ROH and the Government. On the contrary. The elections of factory committees and works' councils at the end of 1946 and in early 1947 revealed evidence of a divergence of opinion between the rank and file and the leadership of ROH. On-the-spot observers held the view that there was a retreat of workers from the communism they had espoused immediately after the liberation to social democracy, the traditional party of the Czechoslovak working class. The failure of union-selected candidates to be elected in many instances has been accepted as evidence of objection to the leadership of the Communist Party which has thus far dominated URO. This kind of divergence of view within ROH was an inevitable consequence of the weakening of the National Front itself during the latter part of 1946.

Nor has the labour movement refrained from criticism of the Government or from applying pressure to it, for the National Front is still a compromise Government, subject within limits to the pressures of both liberal and socialist. ROH has constantly been critical of specific policies, and in the past six months has (as has already been noted) made a vigorous attack on the Government's price policy. At the December 1946 meeting of URO, for instance, the position was taken that national production had increased sufficiently to justify a lowering of prices and a rise in the nation's standard of living. The argument of ROH was that, while productive efficiency and output

have increased, wages and prices have remained relatively constant since November 1945, and the worker has therefore been unable to share the results of his own higher efficiency. While labour has willingly accepted temporary restrictions and sacrifices for the purpose of rebuilding the State, the time has come to relieve the burden, both as a matter of elementary justice and as an incentive to still greater efficiency.

URO also objected to the policy of allotting confiscated German and Hungarian industrial property to private individuals rather than absorbing it into public enterprise. It criticised the Government for not taking adequate measures against speculation and the black market. It demanded that action be taken against the still large community of middlemen. It recommended that the institution of national administration be continued for another two years. It warned both the Government and the factory councils against the tendency to create a new and extensive bureaucracy in nationalised industry, and specifically informed the councils that they are not the management of a factory and that their function was rather to watch over the interests of labour and to urge labour to greater productive efforts. URO pointed out to the Government that its promised programme of social welfare had not yet been fulfilled. It vigorously insisted that the civil service be reduced in size so as to cut down Government expenditures and to make available more people for productive work.

Rather than an arm of the Government, therefore, ROH seems to have become one of the several pressures—perhaps the strongest, but certainly only one of several acting on the Government. In general its pressure has been directed towards increasing the pace of socialisation. Like trade unions elsewhere, it seeks to use the Government rather than to oppose it, but the power and the will to oppose exist, to be used when conditions seem appropriate. Thus far there seems to have been little need, from the point of view of the leaders of the movement. By the same token, so close in general has been the co-operation between Government and ROH, that the opinion has grown that ROH threatens to become either a new political party or a state within the legal state.

The danger was a manifestation of fear rather than of fact. ROH was still in the process of organisation. Political differences between members at all levels and the traditional mistrust of rank and file

members for the leadership of the movement were sufficient to prevent the strong programme which direct political activity would require. The unity of the movement—and the effectiveness of its pressure on the Government—required the concentration of the movement's programme on the encouragement of production and on traditional labour demands for social welfare and on abstinence from identification of URO either with a new political party or with one of those already in existence. The unity of the movement depended also on the maintenance of the National Front. A split in the latter might easily be reflected by cracks in the present facade of labour solidarity.

CHAPTER 7

NEW TRENDS IN INDUSTRY AND FOREIGN TRADE

THE industry and foreign trade of Czechoslovakia cannot be separately discussed, for historical circumstance has tied them inextricably together.¹ Their close interrelation lies in Czechoslovakia's origins in the old Austro-Hungarian Empire. The Czech Lands, particularly Bohemia, had been its industrial heartland. The establishment of Czechoslovakia in 1918 found about 75-80 per cent. of the industrial capacity of the Empire located in the new Republic: 92 per cent. of the sugar-refining; 87 per cent. of the malting; 90 per cent. of gloves; 70 per cent. of footwear; 92 per cent. of glass; 100 per cent. of porcelain; 75 per cent. of cotton; 80 per cent. of wool; 75 per cent. of chemicals; 60 per cent. of metallurgy. But Czechoslovakia did not inherit a corresponding home market, for within its boundaries it contained only 27 per cent. of the population of the Empire. Czechoslovakia could therefore produce far more than it could consume, and conversely some of its largest and most important industries were based on raw materials not indigenous to the new country.

It was inevitable therefore that Czechoslovakia must rely heavily on foreign trade for markets for its surplus production and for raw materials for its industry. The same was true of a few agricultural products with which the Czech Lands had once supplied the whole of the Empire: sugar, hops, and malting barley. The dependence on foreign trade was not attenuated by the fact that from 1918 to 1938 the number of enterprises in many of the imperial industries (particularly consumer goods) declined, while new enterprises appeared in industries whose products the nation had previously imported

¹ Parts of this chapter have previously appeared in a monograph written by the author for UNRRA, European Regional Office, Operational Analysis Paper No. 21, *The Foreign Trade of Czechoslovakia*.

(particularly heavy industries). On the contrary, these facts increased the necessity for foreign trade, for the greatest expansion occurred in industries whose raw materials had to be imported. Between the two wars Czechoslovakia became one of the most important trading nations of Europe; it is estimated that one-third of its national wealth was derived from foreign trade.

Foreign trade was a reflection of the needs and capacities of Czechoslovak industry; conversely, employment, production and the standard of living in general depended on a vigorous foreign trade. Like most industrial countries, Czechoslovakia's imports were primarily raw materials and its exports primarily manufactured goods (58 and 72 per cent. respectively in 1937). Except in the worst depression year of 1932, the movement of goods always yielded a considerable credit balance. The nation's trade was widely scattered over the world, but Germany was its most important market and its largest source of supply. Its most important export was textiles; close behind were iron and steel products; and after that glass, ceramics, shoes, gloves, sugar and hops. The most important imports were cotton and wool, iron ore, other metals, and chemicals.

In the immediate post-war period, serious changes in the structure of industry and the pattern of foreign trade seemed in prospect. The factors out of which these changes grew were in part the results of the war and in part the outcome of economic development.

NATIONALISATION

ONE of the most important was the need for the modernisation and rationalisation of Czech industry. This necessity is older than the war. Large sectors of Czechoslovak industry had been in a state of virtual depression since the First World War. Borderland industries in particular (glass, textiles, ceramics) had declined steadily after 1918. The same industries elsewhere in the Republic had suffered from obsolescent equipment and disuse of capacity for a generation. New investment before Munich had been devoted to the heavy industries and had gone particularly into iron, steel and chemicals.

The effect of these pre-war developments was magnified by the results of occupation. It has already been noted that the capacity of heavy industries in Czechoslovakia was expanded during the war

due to the efforts of the Germans to increase their war potential. Conversely, light industries, of little use to the German war economy, fell into neglect with the result that an ever larger portion of capacity was unused and obsolescent. Except in those few sectors of industry to which technological improvements were made available because of their importance to the German economy, the whole of Czechoslovak industry suffered from lack of maintenance and repairs. The conversion of industry to peace-time work required therefore not simply a change in the emphasis of production, but also large-scale investments for repairs and for new equipment. Changes in the size of the home market and the decline in industrial employment and in labour productivity, required moreover that the new investment be accompanied by rationalisation. Reduction of overhead costs, greater emphasis on mass production of standard articles rather than a great variety of specialised articles, the concentration of industry into large efficient units rather than its dispersion in marginal production plants, the elimination of the competition which produced sweatshop conditions in such industries as textiles, leather and glass—all these objectives of the Government pointed to the necessity of rationalisation.

The decision of the Czechoslovak Government was to support large-scale investment and rationalisation, but to achieve both objectives under a system of public ownership. The size of the investment envisaged was considered too large to be handled by private capital. This in itself would have been sufficient to warrant the use of public funds even to the extent of nationalising industry. As we have seen, however, political and social objectives were of at least equal importance in impelling the Government to adopt its nationalisation programme.

A series of decrees of October 24, 1945, put that programme into effect. All banks, joint stock companies engaged in finance, and insurance companies, which before the war had held a tight rein on industry, were nationalised. In view of the organisation of large-scale industry in syndicates called 'banking concerns,' the public ownership of industry would have been meaningless without the nationalisation of all financial institutions. At the same time, the nationalisation of Czechoslovak industry was effected.

Some 20 to 30 per cent. of the food industry was nationalised: all sugar refineries, all distilleries, breweries with an annual produc-

tion exceeding 150,000 hectolitres in 1937; flour mills with a daily capacity of not less than 60 tons of grain on October 24 and chocolate and other sweet factories with more than 500 employees between 1938 and 1940. Specifically exempted were co-operatives and sugar refineries owned by sugar-beet growers who had less than 50 hectares of land. Approximately 65 per cent. of all non-agricultural industry was nationalised: all mines and power plants; all iron and steel works except those whose production and economy were independent; all armament and munitions plants; the entire chemical, cellulose, plywood and pharmaceutical industries; and all other enterprises employing more than about 400 persons (the number varied from industry to industry).

Under the terms of the decrees, nationalised enterprises are conducted by a manager and a managing council or board, selected in part by the Government and in part by the employees of the enterprise with the approval of the Government. In order to co-ordinate and supervise the activities of nationalised enterprises, regional and central boards are selected by the Government after hearings with the competent labour unions, industrial organisations, and other authorities. Finally, in banking and insurance, the Minister of Finance; in industry, the Minister of Industry; and in agriculture, the Minister of Food exercise a supervisory function and may at any time investigate any plant or industry.

The wages and working conditions of the employees of State enterprises are governed by the same regulations that cover workers in private enterprises. These are in part covered in the decree establishing factory and works' councils, discussed in the previous chapter.

Several elements distinguish the Czechoslovak brand of nationalisation from the ordinary. Owners of nationalised enterprises have not been expropriated; they are to be compensated in Czechoslovak bonds or currency or in other valuta (except, of course, Germans and traitors). Although the nationalised enterprises are now state-owned rather than privately owned, the nationalisation decrees make it clear that their business must be managed according to the basic principles which govern the management of private industry. The principles of management are presumably exactly the same. Since the State will not guarantee the liabilities of national enterprises, they will be able to compete with each other to a limited extent. Finally, there remains, outside the range of national industries, considerable scope

for private enterprise and for co-operatives, the latter particularly in the field of agriculture. It is the aim of the Government to foster a three-cornered economy, based on private, co-operative, and public ownership. Except in industries which have been entirely nationalised, these three varieties of enterprise will be able to compete with each other.

Despite the provisions designed to foster competition among nationalised enterprises and between nationalised and private firms, there will, of course, be far-reaching Government direction and influence in their activities, which will not permit them to act as independent establishments. The laws grant the regional boards wide authority permitting unified direction of the entire field of nationalised industry. They have the right to suggest the establishment of new enterprises, the transfer of old ones, the increase or decrease of their capital; they supervise investment programmes, decide on loan policy, approve industrial plans; they are to encourage standardisation of materials, processes, equipment and products; they may undertake the marketing of the products of their sectors of industry and purchase on their behalf; they may cancel any measures taken by an individual enterprise considered prejudicial to the interests of national enterprise as a whole. Above these regional boards, the Minister of Industry also has the power to transfer national industries, increase or reduce capital, and approve investment programmes and economic plans.

The nationalisation decrees thus made it possible for the Government directly to plan and manage the major portion of Czechoslovak industry and, since the decree affected all basic industries, to exercise a determining influence on the whole of the nation's industry.

The nationalisation programme involved more, however, than a change in the ownership of industry. Rationalisation was after all one of the main objectives of the programme. The State has therefore taken the occasion to reorganise industry. Nationalised industries are being regrouped; sometimes they are being removed to new locations. Marginal producers are being closed down. By closing down borderland enterprises or removing them to the interior of the country, industry once concentrated in Western Bohemia is being decentralised. The combination of small plants into larger units is designed to reduce their labour requirements and help meet the manpower shortage; at the same time larger production units with new

equipment will help raise labour productivity. Thus by mid-1946, the nationalised metal-working industry covered about 280 factories, but these were grouped into only 57 national concerns. All the nation's electric power and gas plants were combined into 11 national corporations. In the chemical industry, more than 80 independent firms and 100 separate factories are now 10 national corporations. The same combination characterises the other sectors of nationalised industry. In all of Czechoslovakia, nationalised firms were, by the beginning of 1947, grouped into only 221 enterprises.

The nationalisation of industry may have satisfied certain economic and political needs, but it also created many problems. Perhaps the most serious was the problem of bureaucracy. Every institution tends to develop a bureaucracy, which grows in proportion to the institution itself. Economic enterprises are no exception. Although one of the specific purposes of the reorganisation that accompanied nationalisation was to reduce clerical personnel, it has tended to increase. The number of labourers per white-collar worker is smaller in the nationalised sector of industry than in industry as a whole. There has undoubtedly been a corresponding loss in efficiency and rise in non-productive costs. Even more serious than this has been the prevalence of political appointments. Although the decree specifically stated that managers and managing boards were to be chosen solely on the basis of proved ability and experience, it was inevitable that the occasion would be used for political patronage. A new hierarchy was appointed in each enterprise and another layer of personnel standing between the enterprises and the Government. The danger of the growth of this bureaucracy is widely recognised, and from all quarters has come a constant demand not only for reductions in clerical personnel, but also for the appointment of efficient managers and for the elimination of political appointments. It is interesting to note, however, that the latter demands are usually coupled with the statement that a particular party has not received its share of the loaves and fishes. Thus the National Socialist Party, in September 1946, submitted a statement to the Minister of Industry (a Social Democrat) pointing out that the nationalisation programme was being carried out in a partisan manner and requesting that the National Socialists be given their just proportion of national managers. In all fairness it must be stated, however, that at the top levels the new managers of industry have in general been appointed from among men with long industrial

experience. The major abuse of political power in appointments has occurred at the lower personnel levels where changes frequently occurred in the chaos of liberation.

Nationalisation has in another way become a major subject of political debate. The broad powers given to the Government in conjunction with the nationalisation decrees are weapons which would permit the gradual destruction of the nation's remaining private enterprise. Parties of the Left, seeking to extend further the range of socialised industry, have pressed the Government to absorb most of the properties still under national administration into the new nationalised enterprises. The Liberal parties have strenuously objected, on the grounds that small enterprises were never intended to be nationalised and that the absorption of the confiscated properties would end any pretence that private and public enterprise exist on equal terms in Czechoslovakia. Both the Minister of Industry and the Central Directorates of the various sectors of nationalised industry are pressing for the absorption of confiscated enterprises. Thus the Central Directorate of the Metal and Engineering Industries, the Minister reported, applied for the allocation of no less than 600 confiscated enterprises (although only one-eighth of the requests were granted). It is also interesting to note that the national administrations of many confiscated firms have been enlarged by the addition of representatives of national enterprises—'a temporary measure' which 'does not necessarily mean that such a confiscated factory will be incorporated,' the Minister of Industry has explained, but nonetheless an obvious straw in the wind. The 'compromise' reached in March 1947, whereby nationalised concerns could absorb enterprises deemed necessary for the completion of their production programme, apparently strengthened their hand.² It is clear that, however vociferous the statements that the process of nationalisation is finished, the debate has not yet ended.

Although nationalisation was a purely domestic economic affair, it involved Czechoslovakia in some embarrassing difficulties with foreign nations. A large portion of Czechoslovak industry was in whole or in part foreign-owned. Most of this foreign investment was of German origin and gave no difficulty, for it fell under the confiscation decrees. But American, British, French and Swiss

² See pages 42-3 above.

capital (among others) was also invested. It is estimated that some \$30-50 millions of American investments were directly affected by the nationalisation decree; in addition about twice as much as this in real estate and personal property belonging to American citizens was requisitioned or placed under national administration or otherwise affected by new property relationships. Although the nationalisation decrees provided for compensation for nationalised property, it was natural that foreign Governments, under pressure from their nationals, should seek at the very least to speed up the processes of compensation.

The result has thus far been to the credit neither of the Czechoslovak Government nor of some of its creditors. In the former there have undoubtedly been inordinate delays in establishing the procedure for compensation. Among the latter there has frequently been marked suspicion and actions that could be interpreted as efforts to interfere in Czechoslovak affairs. Thus the British Government, in November 1945, demanded compensation in pounds sterling and suggested that the nationalisation programme might interfere with Anglo-Czech trade relations. The American Government, while it has made no such overt threat, used compensation as a reason for holding up a commercial treaty with Czechoslovakia and an Import-Export Bank loan, and in September 1946 the question of claims was one of the accumulation of factors which brought about the withdrawal of a surplus property credit.

In the course of the months of discussion, only a few facts have crystallised. The Czechoslovak Government still insists that it will compensate foreign owners of property. It will, however, make a distinction between investments that represent a real import of foreign capital and those representing simply property of Czechoslovak persons who are now foreign nationals. The latter will be paid in crowns; the former in foreign currencies. But, the Government points out, payment in foreign currency presupposes a long waiting period during which foreign balances can be built up. That period can be speeded, it suggests, if Czechoslovakia receives foreign loans. The Minister of Foreign Trade discussed the question with the National Assembly in January 1947.

I am persuaded [he said] that our trade partners will recognise that our standpoint is fully justified, and that . . . the question of compensation will be no obstacle to the favourable development

of our commercial-political relations with other countries. . . . In order to assure that these operations shall be financially bearable for Czechoslovakia, they must be preceded by a favourable development of our trade balance, so that our financial balance may be able to stand the transfer of considerable sums. This is also in the interests of all states whose nationals may have claims against Czechoslovakia, and accordingly, I hope that they will appreciate that a continually increasing trade turnover with Czechoslovakia forms the principal guarantee and requirement for such financial transfers which shall alike be bearable to us and advantageous for them.

In early 1947, agreement on compensation was reached with Switzerland, payment to be made in negotiable Czechoslovak instruments guaranteed by the State. It seemed likely that the Czechs would seek to apply the same technique to other countries.

In the course of 1946, a total of 60 per cent. of Czech industry was nationalised, and 58 per cent. of Slovak industry. The firms affected were organised into centrals for mines, power, foundries, metal-working and mechanics, chemicals, glass, paper and cellulose, wood, textiles, and leather and rubber. Full details are available only for the Czech Lands; they show the pattern of Czech industry to-day. Only 16.5 per cent. of all industrial units are nationalised, but they employ 60.4 per cent. of all workers. More than half (53 per cent.) are still in private ownership, but they employ less than one-fourth (24.4 per cent.) of all workers. Almost 12 per cent. of Czech industry is still under national administration. Nationalisation has affected the heavy and capital goods industries most of all; in that sector it covers 79 per cent. of all workers and 31 per cent. of all firms, compared with 43 per cent. and 10 per cent. respectively of consumers' industries and 27 and 10 per cent. of food processing industries.³

Unfortunately too little time has elapsed and too little information is available to permit an assessment of the effectiveness of nationalisation or a comparison of the efficiency of nationalised and private enterprises. In the autumn of 1946, a so-called 'balance sheet' of nationalised industries was published, giving the anticipated profit or loss at the beginning of 1947; but the document told very little. Losses were expected in mining, power, smelting and foundries, metal-working and machinery, ceramics and sugar. The significance

³ For a tabulation of the status of industrial property in Czechoslovakia, see Appendices, pp. 240-1, C—F

of the losses, particularly in the first four groups, all of which are producing at near or above the 1937 level, is difficult to estimate without details of their sources. The reasons given officially certainly are valid: the need to repair war damages; prices of basic materials were set inordinately low in November 1945 in order to place them cheaply at the disposal of industry; the high cost of reconversion; the necessity of building up stocks; the high debts inherited from the occupation; the cost of the administrative reorganisation attendant on nationalisation. But whether they tell the whole story is uncertain. It is notable, for instance, that in October, in Slovakia, nationalised industries had fewer labourers per white-collar worker than did private enterprises; their workers worked fewer hours per month; they had a smaller turnover per worker; and they paid higher wages and salaries. The same was probably true in the Czech Lands. For the moment at least it would seem, nationalised industry is working less efficiently than private enterprise.

NATIONAL CONTROL OF PRODUCTION AND TRADE

THE nationalisation of about 60 per cent. of the nation's industry was in itself sufficient to make the Government the dominant influence in the nation's economy. That influence however, goes far beyond the nationalised sector and stretches down to the smallest corner of industry. Indirect control is exercised to a large extent by virtue of the fact that the nation's basic industries were almost entirely nationalised. But direct controls were also available through the control of the labour supply, of prices, of raw material distribution, and of imports and exports. A decree of October 27, 1945, made possible unified control of production. In the words of the Minister of Industry, 'the decree authorises the Minister . . . to control output, procure raw materials, semi-finished goods, and other materials, and to direct marketing and ensure a regular and economical working of industry and distribution of supplies to the population. He may order individual firms to merge with others for the purpose of adjusting production and marketing. Economic organisations are obliged to co-operate in running the controlled economy, and responsibility for certain tasks may be transferred to them.' This, to the Minister of Industry and to the rest of the Government, was 'the way to prosperity.' 'The control of

production will be a permanent feature' of the Czechoslovak economy.

Similar broad powers have been given to the Minister of Foreign Trade. A decree of October 1945 empowered him to administer and control imports and exports of all kinds by means of a licensing system, to determine their prices and quality, and to choose the firms who would be permitted to engage in international trade under his supervision. Under this latter authority, there has been a tendency to establish foreign trade monopolies. Typical of the type of organisation established for this purpose is KOOSPOL, an import-export arm of Kooperativa, the purchasing association of the co-operatives of Prague. Such organisations have also been set up by the central directorates of some of the nationalised industries, which seek to combine their marketing and purchasing operations and to eliminate the large wholesale houses which were one of the legacies of the occupation. Another manifestation of the tendency was the recommendation of the Minister of Food that three government monopolies be established to handle the internal distribution of and foreign trade in grains, fruits and vegetables, and animals and animal products.

NEW EMPHASES IN INDUSTRY AND TRADE

THESE developments in the ownership and control of Czech industry gave to the Government, for the first time in the nation's history, an opportunity to decide where the productive energies of the country should be concentrated, or what sectors of industry should be emphasised. The mere decision to use Government funds for industrial investment and to broaden and strengthen economic controls, gave to Government the power to determine the direction of the national economy, but did not in itself indicate what the direction or the emphasis would be. Wartime changes in Czechoslovakia and in Europe in general had a bearing on the decision.

The war-time change in the pattern of Czechoslovak industry would inevitably have long-run repercussions on its foreign trade. Before the war, consumers' goods had comprised the bulk of its foreign trade, but the war had brought these industries to a state of decline and disrepair. They, more than other industries, were characterised by obsolescence. Their capacity was further reduced by the expulsion of the Germans. The capacity of the heavy industries, on the other hand, had grown during the war and their export

surpluses increased. In some cases (communications equipment, for instance) a large surplus was now available for the first time.

The post-war pattern of industry would require a reorientation of trade, for markets would have to be found for new products, and markets for old products would have to be given up. Aside from the difficulties of finding new markets, Czechoslovakia was faced with the problem that the new and enlarged industries were based primarily on imported raw materials. In a world which still showed few signs of returning to a system of multilateral trade, industry's requirements of imported raw materials would have to be balanced against the opportunities of marketing its products.

The eclipse of Germany was also of immediate significance to Czechoslovak industry and trade. Germany had been Czechoslovakia's most important trading partner; it was its chief source of supply and its leading market. Precisely what the future position of Germany would be was not yet settled, but a few facts seemed obvious. Czechoslovakia could no longer rely on Germany as its chief market and source of supply. The latter would not be able to export the capital goods, chemicals and perhaps even the raw materials which it had once sold to Czechoslovakia, nor would it continue to buy Czechoslovak textiles, woodwork, porcelain, jewellery and other consumers' goods. These probabilities were assured by the general determination that the output of German heavy industry would be reduced to a minimum, while its light and home industries would be allowed to expand to the point required to satisfy domestic requirements and to permit exports sufficient to pay for foodstuffs that must come from foreign sources. It was also assured by the exodus of Germans from Czechoslovakia to Germany, where they would probably return to their former trades in light industries, the ones in which they were skilled and probably the only ones they would be allowed to adopt in Germany. Czechoslovakia would therefore have to find substitutes for German raw materials and finished goods, and for German markets.

The new position of Germany affected not only its relation to Czechoslovakia, but also Czechoslovakia's relation to the rest of Europe. Germany had once been the supplier of iron and steel goods, vehicles, chemicals and a host of consumer goods to the whole of Europe. It would not be a supplier of capital goods for many years to come; in other commodities, its export capacity would be severely

reduced. Here was a new field that Czechoslovakia might cultivate. It was inevitable that Czechoslovakia, a heavily industrialised country situated deep in the heart of Europe, should seek, within the limits of its capacity, to take Germany's place as the supplier of heavy goods and repairs for Central Europe. But to make such an effort would require not only a change in the structure of industry, but a reorientation of foreign trade.

The social upheaval in post-war Europe served to emphasise the opportunity for Czechoslovak trade in the products of heavy industry. Wartime destruction assured a long-term demand for capital as well as consumers' goods. In addition, everywhere, and especially in Eastern Europe, governments were pledged to a broad programme of industrialisation, designed to raise the general standard of living. Such plans would create a new and large demand for the products of heavy industry, and the realisation of those plans, coupled with the social demands of hitherto underprivileged classes of population, seemed to assure an expansion of the European market for consumers' goods.

Overseas countries during the war had established or expanded home industries which would now compete with products once imported from Czechoslovakia. This was especially true in porcelain, artificial jewellery and gloves, precisely the fields of industry in which Czechoslovak capacity had declined.

These factors had to be taken into consideration by the Czechoslovak Government in planning its foreign trade and industry. They led initially to several decisions and tendencies. The necessity of assigning priorities to inadequate resources required that foreign trade and foreign exchange be strictly regulated. The wartime changes in, and the decisions of the Government with regard to industry suggested a greater emphasis on heavy industries at the expense of consumer industries. The character of foreign trade would change accordingly. The decline of Germany and the promise of Eastern Europe led to plans for shifting the emphasis of Czechoslovak foreign trade to the East.

These considerations of national economic advantage were strengthened by political considerations. The political complexion of the Czechoslovak Government and the growing strength of Pan-Slavism brought Czechoslovakia into closer association with Eastern and Central Europe than ever before. It seemed wise to strengthen

political friendship with the bonds of trade. Moreover since the standard of living of Czechoslovakia was dependent on the maintenance of foreign trade, many Czechoslovak leaders were convinced that national advantage required that the country strengthen its economic association with those nations which are least susceptible to the periodic crises that characterise capitalist economy. Such a conviction meant above all the strengthening of trade relations with the Soviet Union and the nations of Eastern Europe which have embarked on the paths of planned economy.

The conviction was widely expressed in 1946 that the influence of these economic and political developments should be enhanced by conscious Government policy. As President Benes put it in an address at Moravska-Ostrava in May, the new industrial position of Germany must affect the industrial pattern of Czechoslovakia. The elimination of Germany as a supplier of capital goods and industrial equipment to Eastern and South-eastern Europe, he stated, and the favourable geographical and economic position of the country make it both advantageous and inevitable that Czechoslovakia should seek to replace Germany as a supplier of such goods, insofar as its production allows. The best summarisation of these views appeared on July 31, 1946, in *Svobodne Noviny*, in which, in a review of 'Czechoslovakia and World Markets,' the following statement was made :

Germany's pattern of export trade must necessarily be changed. Her heavy and chemical industries will be definitely done away with. In south-eastern Europe Czechoslovakia can take up Germany's position in these two branches. Czechoslovakia must also seek to replace Germany's position in rendering services (repairs, etc.) In consumer industries (textiles, glass, etc.), however, Germany's export productivity will increase to enable Germany to pay for the import of food and raw materials. The transfer of Germans will only help to emphasise this, since many of them will seek to establish light industries that had been characteristic of the Sudeten areas, e.g., woodworking, glass, musical instruments, etc., and try to compete with Czechoslovakia. Besides, Germany used to be a good customer of our consumer goods before the war; now she will produce most of them herself, but will be in need of capital goods and equipment.

The same point was vigorously expressed in April by the Minister of Foreign Trade on the occasion of the signature of a trade agreement with the Soviet Union. He said that :

for the future we shall have in the Soviet Union an open market

for the products of our heavy industry and mechanical industry, whose full employment will have a great influence on the general standard of living of our nation. This industry cannot easily find an outlet in the Western markets, owing to the high industrial capacity of the Western countries and their economic configuration. The Soviet Union will be able to take many of our products whose selling price is mostly payment for man-hours of work carried out in their fabrication, and whose export is thus peculiarly advantageous for us. We are already exporting to Russia the work of our own hands in the form of orders to our factories for goods made from raw materials delivered for that purpose, and for which payment for the goods delivered is also commonly made in raw materials.

The Soviet system of successive five-year plans will guarantee us, provided we are prepared to co-operate suitably within the scheme of Russia's general requirements, long-term orders which we greatly need for the planning of our production, and which will guarantee continuity of employment. This will also guarantee regular sales for us, since the Soviet market is not affected by the competitive variations of the world market. Later we shall be able also to deliver consumer goods, for which the demand in Russia is constantly increasing and will not be satisfied for a long period.

In November the same Minister pointed out that the conscious direction of trade to the East was also suggested by the probability of continued economic crisis in the capitalist countries.

We must remember [he said] that it is not impossible that there may be a world crisis in foreign trade which will be heavily to our loss if simply because our foreign trade is directed so very largely towards the Western countries. It will be a shortsighted policy if we do not seek now to ensure ourselves against the worst of the consequences of the expected crisis by expanding our commercial relations with the U.S.S.R. and with the countries of Central and South-eastern Europe.

The intention to concentrate on heavy industries and to direct trade towards the East was not limited to public addresses. In the first year after liberation, heavy industry seemed to receive the Government's favours. It recovered more rapidly than other industries and in many sectors surpassed pre-war production in the early part of 1946. To some extent this was dictated by the reconstruction needs of Czechoslovakia itself, but it also represented a conception of the nation's best interests in foreign trade. Since the end of the war iron and steel products have been the nation's largest

export item. Only in the latter part of 1946, did textiles, which once constituted one-quarter of all Czechoslovak exports, threaten their position. That the Government still had its eye on heavy industries and trade with the East, was evident at the end of 1946 when the Minister of Industry toured Yugoslavia, Rumania, Bulgaria, Poland and Austria for the express and widely publicised purpose of making long-range contracts for the sale of machinery, vehicles and other products of heavy industry. An agreement of February 1947 has closely associated Czechoslovak trade with the Yugoslav Five-Year Plan. Foreign observers could find much evidence of the regional integration of the Eastern European economy, in which Czechoslovakia plays the role of the supplier of machinery and other products of heavy industries.

Government and publicists alike were acutely aware of the impact of these developments in Czechoslovakia and in Europe on their foreign trade. Statements of policy make it clear that changes in the pattern of industry and in markets have been the subject of vigorous discussion since the liberation. In the first year after the war, there was a widespread conviction among most members of the Government that a thorough reorganisation of both trade and industry was inevitable.

Despite the desire to concentrate on heavy industries, Czechoslovakia was faced with the unsurmountable obstacle of the limits of its pig iron and steel capacity, which could hardly cope with the demands once satisfied by Germany. More recently another element of doubt has been added. The Chairman of the State Planning Office publicly denied the value of the apparently tempting opportunity to step into the place left by the forced reduction of Germany's heavy industries.

If [he wrote] we allowed ourselves to be tempted into expanding our heavy industries, we should have to reckon with the fact that, even before the war, the world capacity of the heavy industries was much in excess of the demand, while productive capacity was further inflated by the war. . . . Even after deducting Germany's former contribution, the total world capacity in the heavy industries is still disproportionately high. The market for heavy industrial output is also subject to very sharp fluctuations, and to overweight our economic structure too much in this direction would make our economy especially vulnerable to the troubled influences of world economy. Besides, an expansion of the heavy industries

would require a considerable increase in the output of black coal for which the prospects are not, at present, encouraging.

There was also the fact that concentration on the export of iron and steel goods to Eastern Europe would tie Czechoslovakia to soft currency countries, an event which the country could not bear in view of its needs from the Western world.

ORIENTATION OF POST-WAR TRADE

THIS last doubt was sufficient, once it was widely realised, to cool some of the early ardour for reorienting Czechoslovak trade, although the efforts to associate Czechoslovakia with the planned economies of Eastern Europe continue. In 1945 and early 1946, the view was widely held that Czechoslovakia was prepared to isolate itself commercially from Western Europe and the overseas countries. To-day the conviction is general that the nation's trade must be as widespread as it was before the war, though it is also recognised that certain changes in emphasis have occurred and will be maintained. The actual returns of foreign trade in 1946 were sufficient to indicate that the isolation from the West desired by some and feared by many others was a manifestation of political neurosis rather than a reflection of economic reality. Those results show that Czechoslovak trade is tending to revert to its pre-war pattern.

The results of foreign trade in the first eighteen post-war months are not a perfect indicator of the shape of Czechoslovakia's foreign trade, but they suggest the extent to which the eastward orientation is likely to occur. The eight months of 1945 are exceptional. European transport was in chaos. Czechoslovakia had no foreign exchange and little current production with which to pay for imports. Nor did its neighbours have many surpluses to sell. It would not be too much to say that in the first months after liberation Czechoslovakia needed charity in its foreign trade, and she found it in the Soviet Union. In 1945, the Soviet Union supplied 32.8 per cent. of all Czechoslovak imports; eight years before, only 1.1 per cent. of the country's imports came from the Soviet Union. Switzerland, which in 1937 had been the source of only 3.3 per cent. of Czechoslovak imports, jumped suddenly to second place with 22.4 per cent. Switzerland also became Czechoslovakia's largest market, consuming 32.5 per cent. of the country's exports. The United States held second place, thanks to its thirst for Czechoslovak hops.

But these were exceptional months. In the year that followed the foreign trade of Czechoslovakia not only expanded in volume; it also spread out to include new countries. Both overseas shipping and inland rail facilities became easier. Industrial production improved, and political uncertainties became less acute. The result was that the unusual distribution of the trade of 1945 settled into a pattern more closely resembling that of pre-war years, yet different in certain important aspects. While the Soviet Union and Switzerland retained their leading positions, their proportions of the total foreign trade fell considerably. In both cases Switzerland held first place for the year. But the United States, the United Kingdom, and Sweden moved rapidly ahead in the second half of 1946. By the end of 1946, Sweden held third place as a market and shared with Great Britain third place as a supplier. The United States held fourth place in both categories.

As had been anticipated, the importance of Germany declined, but the curious thing is that its share of exports rose steadily in 1946. Of the five largest pre-war sources of Czechoslovak imports, Germany, the United States, Great Britain, France and Rumania, all except Great Britain declined in 1946; but the United States exceeded its 1937 percentage in the fourth quarter of the year. Of the five largest pre-war markets, Germany, the United States, Great Britain, Austria and Rumania, every one imported less in 1946, but Germany was rising rapidly.

The heaviest losses as source of supply were those of Germany, India, Rumania, Poland and France; and as a market, Germany, Great Britain, Rumania, Austria, and Yugoslavia. Their losses were primarily the gains of the Soviet Union, Switzerland, and the Scandinavian countries. Thus far at least, the rise of Eastern Europe in Czechoslovak trade is simply a reflection of the rise of the Soviet Union. The decline of the overseas countries is in part a temporary phenomenon, the result of inadequate transport and tardiness in re-establishing trade contacts.⁴

The actual course of trade in 1946, therefore, did not confirm the fears of those who thought Czechoslovakia would become an appendage of the Soviet Union, economically associated only with an Eastern European bloc. As political conditions settle in that part

⁴ For a comparison of Czechoslovak trade, by country, in 1937 and 1946, see Appendices, page 242.

of the world and as economic prosperity returns to it, its share of Czechoslovak trade is bound to increase, but Czech officials now estimate that its share is likely to be in the vicinity of 30 per cent., which is roughly only twice its pre-war proportion.

These facts are not surprising. Short of outright pressure from the Soviet Union, there are, after all, limits to the degree to which reorientation can voluntarily occur in the short-run future. Czechoslovakia is in need of large quantities of supplies and equipment from the West. To purchase these, the country will have to make extensive exports to the West, particularly to the United States, from which a large portion of the materials must come. At the present time, much of Czech trade is being carried on under essentially barter agreements and in the inconvertible currencies of Central and Eastern Europe. Such techniques and currencies are of little help in re-establishing trade with the West, except insofar as they help feed the factories part of whose production will be exported to the West. The Government must obviously find a means of reconciling the need for equipment and goods from the West with considerations of the economic and political desirability of expanding its trade with the East. In a world of free trade and stable economies, such reconciliation is no problem. In the present world, that problem is of vital importance to Czechoslovakia, and can be solved only by broadening the range of both markets and sources of supply, and by refusing to allow any area a monopoly on its foreign trade. It was in this sense and for this reason that the Minister of Foreign Trade could say that commercial policy cannot be isolated from the general international political situation.

BILATERAL TRADING

In the period immediately following the close of the war, a crushing burden on the resumption of international trade in Europe was imposed by the general deficiency of freely convertible foreign exchange and by chaotic internal financial problems in almost all countries. Rigorous licensing systems were everywhere in effect, regulating imports and exports as well as the supplies of foreign exchange. Trade was essential for most countries, and ways had to be found to surmount the barriers imposed by the necessity of rationing resources of materials and exchange.

It was inevitable in such conditions that nations would resort to

bilateral agreements for the exchange of goods, which at first amounted to little more than centrally organised barter. Czechoslovakia was in the forefront of European nations in the negotiation of a series of short-term agreements for the exchange of goods, accompanied in most cases by supplementary agreements on payment relations. Between May 1945 and the end of 1946, barter, quota, and payment agreements were signed with Belgium, Brazil, Bulgaria, Denmark, Finland, France, Great Britain, Iceland, the Netherlands, Yugoslavia, Norway, Rumania, Hungary, Austria, the U.S.S.R., Sweden, Turkey, and Switzerland. At the beginning of 1947 Czechoslovak representatives were in Latin America, Asia and Africa for the negotiation of additional agreements.

The great bulk of Czechoslovakia's trade since liberation has been carried on under this system of bilateral agreements. The network covers almost every country in Europe and many overseas. The agreements are always short-term, usually for six months or a year, sometimes less; and all contain provisions allowing for their extension and for special protocols for additional exchanges of goods. The methods of payment differ. Some (for instance, the agreement with the Soviet Union) are of the clearing variety; payments are made only into the central banks of the governments concerned. Exchange outside the protocols are paid in free exchange, though they are still governed by trade and exchange controls. In some agreements, notably those with Northern and Western European countries, payment is always made in free currencies. In others, as with Sweden, payment relations are based on a single account in Swedish crowns in the Swedish National Bank. Finally, with Germany and Austria in particular, trade has been accomplished as private barter, under government auspices. This technique of foreign trade, forced on Czechoslovakia by circumstances, was generally accepted throughout Europe.

Despite this dependence on bilateral trading, the Czechoslovak Government has constantly professed that it desires to return as rapidly as possible to a system of multilateral trade in free currencies. It has maintained, however, that temporarily at least world conditions make that impossible of attainment. The position of the Government was expressed by the Minister of Foreign Trade in October 1946, in the course of his comments on the meeting of the Preparatory Committee of the United Nations Conference on World Trade and

Employment. Czechoslovakia, he said, 'is obviously interested in the conclusion of world-wide arrangements concerning international trade, which has a decisive influence on Czechoslovak economy. It is, of course, a question whether in the present state of world economy it will be possible to give concrete form to the American proposal for a world-wide trade organisation as it stands. This proposal comes chiefly from the present position of the U.S.A., with its enormous preponderance in manufacturing and financial capacity which can have full play only under a free world economy.' The war-torn countries of Europe, the Minister stated, 'will require a certain transition period before their economies will be able to maintain themselves in the face of free competition in the world market.' Moreover the economic composition and interests of some nations (he was thinking of the growth of nationally planned economies) would require changes in the original American proposals, for free trade is impossible for a country whose internal economy is governmentally controlled or socialist.

This fear of placing all its stakes on the one card of multilateral trade, which means in practice on the continued prosperity of the United States, is of course not peculiar to Czechoslovakia. Every country invited to discuss the international trade charter proposed by the American Government expressed similar and equally strong fears of abandoning 'the control that exchange restrictions provide over its crucial balance-of-payments problem,' 'the right to protect itself against unemployment coming from abroad,' regional trade agreements, and the right to self-protection against American competition.⁵ Equally universal has been the recognition that these principles are a reflection more of the needs of the American economy than of Europe, and that they are supported by the threat of withholding American loans. In the case of Czechoslovakia, the same criticisms have been interpreted in the context of its association with Eastern Europe as an effort to isolate itself from America.

CZECHOSLOVAKIA AND AMERICA

AMERICAN trade and American credits have, since the end of the war, become one of the keys to world prosperity. By the Czechoslovak Government they are considered as important to

⁵ See, for instance, 'Prelude to Geneva'—*The Economist*, March 29, 1947, pp. 444-45, J. Duret, 'La Situation Internationale de l'Economie et l'Avenir de l'Economie Française'—*Politique Etrangere*, March, 1947, pp. 69-76.

Czechoslovakia as to any other country. Yet in the course of the first eighteen months after liberation the commercial relations between the two countries were the subject of mutual suspicion, and this despite the steadily rising volume of trade between the two countries.

At the base of the suspicion has been the fact that America continues to adhere to the principles of economic liberalism while Czechoslovakia has deliberately chosen the way of socialism. Measures taken by the former have therefore been interpreted by Communist officials and publicists in terms of 'capitalist imperialism'; and those by the latter, in terms of political and economic dependence on the Soviet Union. The nationalisation of Czechoslovak industry has been viewed critically on principle; the problem of compensation of foreign interests was but one aspect of the whole, which could be used as a basis for overt criticism. The widespread discussion and almost as widespread support of trade reorientation has been viewed as a manifestation of the solidarity of the Eastern European bloc. Criticism of the international trade charter and reliance on bilateral trading also been interpreted as objection to free trade on principle and as a reflection of Slavonic unity. Support for these convictions was found in the Czechoslovak treatment of the cotton credit offered to it by the United States in the Autumn of 1945. The credit was not accepted until more than six months later and even then for somewhat less than the quantity originally expected. In the meantime Czechoslovakia imported cotton from the Soviet Union, at least part of which had to be returned as finished goods.

And yet it is obvious that Czechoslovakia is very much preoccupied with American trade. Aside from the statements to that effect which can be cited from the Government itself, are the facts of the nation's need for American equipment and American credits. In the year 1946, Czechoslovakia was fortunate in having obtained credits from a variety of countries totalling over \$150 million. But the need for credit has grown since the inauguration of the Two-Year Plan. To meet the requirements of industry, transport, and agriculture, the Government has requested \$50 million from the Export-Import Bank and \$350 million from the International Bank. The availability of these credits will vitally affect the execution of the Two-Year Plan. Although the Government maintains that it will carry on with or without credits, the time required for the reconstruction and development programmes will be shortened in proportion to the

availability of credits for the purchase of raw materials and equipment from Western sources.

The accumulation of distrust produced a hardening of American credit policy with regard to Czechoslovakia. Why aid a nation which is part of the Soviet zone of Europe ? is a question which explicitly or by implication is frequently heard from American officials at home and abroad. This distrust came to a head in September 1946, when the unused portion of a \$50 million surplus property credit was withdrawn and negotiation of the \$50 million Export-Import Bank loan ceased. Various reasons were given for the action, but no one cause could have been sufficient. The divergent economic systems of the two countries, the failure to provide compensation for nationalised property, the prolonged and thus far unsuccessful negotiations for an American-Czechoslovak trade agreement, the criticism of American motives in part of the Czechoslovak press, all laid a basis of suspicion that Czechoslovakia wished to take American loans and credits and at the same time to become part of the Soviet economic system. Against this background, suspicion received a decisive fillip by the continuous alignment of Czechoslovakia with the Soviet Union at the Paris Peace Conference, a fact which was accompanied by the sharpening campaign of vilification of America in the left-wing press and particularly by certain cabinet ministers. Especially irritating was the apparent Czechoslovak agreement with the Soviet accusation that American loan policy had a primarily political motivation. The official American summary of the reasons for terminating the credit and negotiation of the loan cited 'the support of Czechoslovak officials of statements of Soviet officials that the United States was using its credits and ability to make loans in order to further economic imperialism of the United States; which statements, it is understood, were made in Paris and appeared in the press.' Though the view was expressed in Prague that Czechoslovakia could do without the American loans, it was obvious that the Government was deeply concerned by the action. The campaign of vilification ceased, and within two months an interim declaration on general trade principles was signed by the Czechoslovak and American Governments.

The declaration of November 14, contained in an exchange of diplomatic notes, affirmed the desire of the two Governments to adhere to Article VII of the Lend-Lease agreement of 1942 calling for the elimination of discriminatory trade practices and the reduction

of tariffs and other trade barriers. The Government of Czechoslovakia accepted 'the general tenor' of the American 'Proposals for the Expansion of World Trade and Employment' as the basis of an international trade organisation, agreed that the conduct of trade by bilateral agreements is incompatible with the maximisation of world trade and with the desire to eliminate trade discriminations, and stated that, though their use had been necessary during the post-war transition period, all efforts would be made to return as soon as possible to multilateral trade. Czechoslovakia declared that it must continue its export and import controls during the transition period, but promised that licences would be given in a non-discriminatory manner as soon as its foreign exchange assets were sufficiently large to permit it to trade outside of bilateral agreements. Both countries promised that any organisation or enterprise which holds a trading monopoly would act in a non-discriminatory fashion and would direct its purchases and sales solely by reference to price, quality, marketability and other such non-political criteria. The Governments expressed the desire to conclude a comprehensive treaty of friendship and commerce, pending which they would grant each other most-favoured-nation treatment, and to make full and adequate compensation to any nations whose interests or property had been nationalised.

The declaration was hardly more than a restatement of principles on which the American Government had for eighteen months been insisting and which the Czechoslovak Government had frequently repeated. It changed nothing and added nothing. In particular, the Minister of Foreign Trade was careful to explain that the agreement 'does not and cannot cause any change in our state of alliance with the Soviet Union. This repeatedly expressed view, as well as the instruction given by the Czechoslovak Government to the delegates to the International Trade Organisation Conference in London are based on the fact that Czechoslovakia could become a signatory of the Charter of International Trade only if it were recognised that Czechoslovakia could not undertake international liabilities which might conflict with her political and economic relations with the U.S.S.R.'

To *Rude Pravo*, organ of the Communist Party, the cutting off of the credit was part of the American plot to isolate the Slavonic states. To *Svobodne Slovo*, of the National Socialist Party, it was an American misunderstanding created by the deliberate distortions of

the Czechoslovak left-wing press. To everyone it was clear that Czechoslovakia was simply a pawn in the greater game of world politics and had been caught in the middle. *Lidova Demokracie* gave perhaps the best-balanced view.

It is surely necessary to attempt to analyse the reasons of this tensed American attitude toward this country. . . . One can ask first of all the following questions: Is the American unfavourable attitude due to that part of our press which methodically attacked the 'rotten' West, allegedly so superfluous to Czechoslovakia because we shall get everything from the U.S.S.R., which will settle everything for us? Certainly yes. Is the guilt upon those Ministers and officials who did not know how to be grateful for the Western UNRRA and who saw in the raw materials, engines and UNRRA tins a matter of course owed to us? Equally yes. Is the bad mood of America due to the fact that we have nationalised and confiscated enterprises, houses and other American property though we haven't hitherto even attempted—while grasping after the American loan—to compensate the owners? Certainly yes. The misunderstanding has reached its peak in the fact that Minister Masaryk, whose continuance in the office of Foreign Minister seemed to be a guarantee of understanding by the Western powers, voted as head of our Paris delegation almost always against the West. The answer is surely again to the positive.

Nevertheless it would be wrong if we gave certain ill-considered press articles and statements of Ministers greater importance than they in fact had. One must not forget that in the background of all these unfavourable moves of America against Czechoslovakia is a great power conflict between America and Russia. Many steps which are unfavourably felt in Prague, are really aimed at Moscow. On our back, on our standard of living and on our Two-Year Plan America settles accounts with Russia. Were it not for this great conflict, our faults, mistakes and errors would be of much less importance. Our slips turn into dramatic offences only because they are viewed from the standpoint of the Soviet-American tension.

CHAPTER 8

THE TWO-YEAR PLAN

ON January 1, 1947, the Czechoslovak Government launched a Two-Year Plan of Economic Reconstruction. The programme was heralded as the first effort to co-ordinate all State planning for the purpose of raising the national standard of living in a specific period of time.

National economic planning is a twentieth-century innovation generally adopted by governments in times of national emergency. Only in the Soviet Union has planning thus far gone beyond sporadic governmental action in specific sectors of the economy in which governmental action is considered necessary, and only there has it been extended to cover governmental direction of the entire economy towards a specific end. In the rest of the world its use in the past has been limited to periods of war or of economic depression, when it was recognised that the price mechanism alone was incapable of achieving a goal on which society was agreed. The aftermath of World War II seems to have resulted in bringing planning into better repute. Certainly the economic exhaustion of many countries hitherto attached to the principle of the natural harmony of economic interests has led to the widespread conviction that central economic planning can alone assure the recovery of national productive efficiency and the just distribution of national production. This idea has come as much as a result of economic need as of ideas of social justice.

The clearest evidence of Czechoslovakia's departure from the folkways of private enterprise is its acceptance of the desirability of economic planning. The Kosice Programme does not contain the word 'plan'; nor for that matter does it contain any express statements which would permit the derivation of planned economy or of socialism. On the contrary, in its few comments on economic policy,

there are specific references to the protection of private enterprise and the maintenance of a liberal economy. Yet it seems to be generally admitted in Czechoslovakia that economic planning is a national necessity. Few words are more current among government officials and publicists and appear more frequently in the press than 'planning,' 'directed economy,' and their variations. Belief in planning is common to all political parties. The Plan, as one writer put it, has become the great fashion, the great hope and the great justification and excuse.

Despite the absence of plans for planning in the Kosice Programme, a variety of executive and legislative measures were taken soon after liberation which were specifically designed to establish conditions under which a certain amount of national planning would be possible, and several institutions were established for the express purpose of elaborating a national plan. In 1945 and 1946, there was no master plan, but by the nationalisation of the nation's industry and of all of its banking and finance and by the extension of government controls over labour, production, distribution, foreign trade, prices and wages, the prerequisites for planning were set and the means created. During this time it was sometimes clear only by inference what the outcome would be, for as the head of the Economic Council later put it, 'we have had to improvise a great deal.'

The chief institutions for economic planning were already in operation in 1945. The Economic Council is a committee of the Government consisting of the Cabinet Ministers with economic portfolios, the Governor of the National Bank, a representative of the Slovak National Council, the Chairmen of the Trade Unions Council, the United Agriculturists Association, and the Central Co-operative Association, a Secretary General, who is the head of the Council's Secretariat, and the Chief of the State Planning Office. The task of the Economic Council is to co-ordinate the activities of the Government in economic affairs and to recommend economic plans to the Government. All economic measures are studied by the Council in advance of their consideration by the Government. The Secretariat of the Council, a Central Planning Commission, is responsible directly to the Prime Minister. The actual preparation of concrete plans is entrusted to a State Planning Office. Its work is the technical elaboration of the general objectives laid out by the

Economic Council. It operates through a group of working commissions which work in conjunction with the planning divisions of the various ministries, and of special commissions on which the various political parties are represented. In this way, it seeks not only to co-ordinate government planning, but also to assure agreement among all the parties of the State.

When it was established, the State Planning Office was directed to lay the groundwork for a general economic plan. The outline of such a plan and its theoretical foundations were published in a bulky volume in 1946.¹ The volume is interesting chiefly because it shows the thinking that lies behind the Two-Year Plan later adopted by the Czechoslovak Government, but also because it makes clear that the Czech planners were guided primarily by the example and the techniques of the Soviet Union, despite the broad differences between conditions in the Soviet Union and in Czechoslovakia. This very fact has been used as a basis for criticism of Czechoslovak planning even by socialists.²

The essence of national economic planning is the assignment of priorities to available resources for a specific purpose. It was to establish such priorities that the Government introduced its extensive economic controls. While these controls did not themselves constitute a comprehensive plan, they permitted the State to direct national resources and production into what was deemed desirable channels. The unstated but implicit objective was physical reconstruction and the recovery of the pre-war standard of living. Although price, wage, and consumer distribution controls were enforced for the purpose of limiting consumption for the benefit of capital reconstruction, no one had made the one primary decision essential to central planning, the decision as to how much of current production was to be consumed and how much ploughed back into the economy as capital investment. Each government department had its planning section which determined the needs of the particular sector of the economy with which the Ministry was concerned; but there was little co-ordination of those needs, of the goals to be attained, or of the speed at which the goals were to be approached.

¹ *Sborník o Vystavbě CSR Namety a Zasadní Poznámky k Celkovému Hospodarskému Planu CSR.*

² See, for instance, the detailed criticisms in Jaroslav Halbhüser *Hospodarska Politika Noveho Ceskoslovenska ve Svetle Poznatek Moderni Ekonomiky.*

The first large-scale plan, in the sense that it covered an entire sector of the economy and set specific objectives, was a five-year plan for agriculture, adopted by the Ministry of Agriculture early in 1946. Pre-war food consumption levels, stated the Ministry, were not only inferior in quality, but on the average were very near the subsistence level. The plan, aimed at 1951, was designed to assure a higher standard of consumption by raising the quality of certain types of produce and changing the relative consumption of various foodstuffs. The plan also called for increasing the export of some of the nation's crops. In general, its tendency was to increase the production of fruits and vegetables and of animal products by increasing the production and quality of feeds.

Acreage under cereal cultivation was to approximate the level of 1923, but wheat would be increased at the expense of rye so that the population as a whole would obtain a higher proportion of white bread. Since, however, large quantities of wheat would be required as feedstuff, imports of mill produce would be necessary. Although the number of horses would be allowed to fall, the cattle, pig, and poultry populations were to be raised. The plan did not anticipate self-sufficiency. Fats, flour, fruit, eggs and fish would continue to be imported, the fats in the form of oil seeds whose pulp could be used as feed. Butter would not be imported, for better cattle would increase milk yields and therefore butter production. Pigs would be raised more for meat than for lard, so that internal meat consumption could be increased and more high quality sausage be made available for export.

Such a plan could be accomplished only in conjunction with a programme for the increased mechanisation of agriculture and the solution of the labour shortage. Its attainment could not therefore be considered independent of an industrial production programme and the co-ordination and allocation of the nation's labour supplies.

The preparation of a more general Two-Year Plan had been part of the pre-election platform of the Communist Party. After the elections and at the first meeting of the Constituent National Assembly on July 5, the Communist Prime Minister presented the outline of a Plan, based on the preparatory work of the State Planning Office. It was quickly accepted. A committee of specialists was appointed under the Economic Council to work out its details, and the various economic ministries and agencies of the government were

ordered to specify the raw materials, power, labour, investments, and other resources necessary to attain the objectives of the Plan. Their replies were submitted to the Council by August 15, and the Council in turn co-ordinated and presented the data to the National Assembly in mid-October. The Plan was enacted into law on October 25 and signed by the President on October 28, Czechoslovak Independence Day and the first anniversary of the nationalisation decrees. It is significant that there is hardly a difference between the outline of the Plan as offered by the Prime Minister and the final Plan as presented to and passed by the National Assembly after the study of the Government's economic experts.

The first paragraph of the Plan stated that its objectives were 'to revive and reconstruct the economy of the Czechoslovak Republic and to increase the standard of living of our people.' The following specific goals were set: to surpass the 1937 level of industrial production by 10 per cent.; to reach the 'pre-war' level of agricultural production; to build 'the necessary number' of living units and administrative and industrial buildings, to 'renew and complete' public communications and establishments, to 'carry out and improve water power plants and sanitary establishments'; to reach the 1937 level of transportation; to raise the economic level of Slovakia to that of the Czech Lands; to improve conditions in the backward regions of the Czech Lands; and 'after the realisation of these fundamental tasks, the total production of consumer goods will be proportionately increased.'

To attain these objectives by the end of 1948, specific production goals were set for certain industries. The most important of these goals are given in the following tables (as compared with actual production in 1937, 1945 and 1946).

Some Targets of the Two-Year Plan
(monthly average, in thousand metric tons)

			1937	1945	1946	1947	1948
Black coal	..	..	1,398	952	1,181	1,364	1,479
Lignite	..	..	1,491	1,285	1,623	1,819	1,992
Coke	..	..	273	158	188	312	326
Iron ore	..	..	153	23	93 ³	n.a.	145
Pig iron	..	..	140	48	80 ³	112	123
Steel	..	..	193	79	140	183	200

n.a.=not available.

³ January-November.

Some Targets of the Two-Year Plan—continued
(monthly average in thousand metric tons)

	1937	1945	1946	1947	1948
Electric power (mill KWH) .	342	n.a.	464	530	617
Locomotives (units)	6	0	12	19	24
Rolling stock (units) ⁵ .	97	n.a.	861 ⁴	1,025	1,265
Tractors (units) .	17	0	78	471	733
Motor cars (units) ⁶ .	678	n.a.	351	861	1,167
Cement	106	n.a.	75	88	104
Paper	16 ⁷	n.a.	12 ⁴	n.a.	16
Cotton yarn (m.t.) .	6,281 ⁷	n.a.	2,684 ⁴⁻⁴	n.a.	4,850
Wool yarn (m.t.) .	2,501 ⁷	n.a.	n.a.	n.a.	1,800
Footwear (thousand pair)	4,207 ⁷	n.a.	n.a.	n.a.	3,800

n a =not available.

Source : *První Československý Plan*; *Statistický Zpravodaj*, March 1947, p. 117; Josef Goldmann, *Czechoslovakia Test Case of Nationalisation*, pp. 57-8; Ministry of Industry, Prague.

Specific objectives were also set out for agricultural output. In almost all cases the area under cultivation was to be smaller than that of 1937, but the use of fertilisers and mechanical equipment was expected to raise the total crops to the desired level.

Two-Year Targets for Agricultural Production
(harvest in thousand metric tons; yield in quintals per hectare)

	Yield			Harvest		
	1937	1947	1948	1937	1947	1948
Wheat	16.7	17.8	18.3	1,374	1,475	1,485
Rye	15.6	16.0	17.0	1,479	1,278	1,187
Barley	16.5	16.7	17.6	1,114	1,056	1,123
Legumes	n.a.	n.a.	n.a.	72	57	55
Potatoes	164.1	140.3	147.4	11,914	9,144	8,782
Sugar beet	331.1	259.5	270.4	5,986	4,827	4,719
Oilseeds	7.7	11.0	11.0	34	165	165
Oats	18.2	16.2	17.3	1,361	935	1,034
Corn	24.0	23.0	23.0	311	283	278

n a =not available.

Source : *První Československý Plan*, pp. 58-59.

An increase in animal foodstuffs is also planned, based on a gradual raising of the livestock population and of its food yields. The scheduled recovery of the livestock population was reflected in targets which brought beef and lard to the 1937 level, raised pork by two-thirds and butter by 300 per cent.

The building programme laid out in the Two-Year Plan called for the expenditure of 40 billion crowns, more than a third of which

⁴ January-November.

⁵ In terms of freight cars

⁶ In terms of lorries.

⁷ Czech Lands only.

was earmarked for the repair or erection of 125,000 dwelling units, and the remainder for industrial and agricultural installations and transport facilities. In the field of transportation, an expansion of facilities was projected. By the end of 1948, 300 new locomotives were to be put into service, 250 motor rail vehicles, 17,090 freight cars and 700 passenger cars, 123 tramcars with 130 trailers. Expenditures of 200 million crowns were to be devoted to safety and communication equipment for railways and 100 millions to railway workshops. On the nation's roadways, 1,950 new buses were to be put in service with 200 trailers and 2,400 trucks with 700 trailers. The river fleets were to be repaired and augmented by 45 new ships and 4 tug-boats, and the reconstruction of the ports of Bratislava and Komarno was to be completed. Fifty new transport planes were to be put into use and new airports built and repaired. If this plan is consummated, the size of the nation's transport facilities will then be as follows :

Two-Year Plan for Transport Facilities
(in units)

	1937	1946	1947	1948
Locomotives	3,290	2,626	2,964	3,269
Motor rail vehicles ..	372	230	330	480
Freight wagons . . .	95,600	55,100	66,150	72,190
Passenger cars .. .	10,864	7,525	7,775	8,225
Autobuses	2,682	2,800	3,100	4,050
Lorries	5,012	7,600	7,700	8,100
Vessels	448	197	282	325
Airplanes	26	18	50	68

Source : *První Československý Plan*, pp. 71-82, 166.

The total investment planned for the two years, including that of state and local governments and of public and private enterprise, was 69.88 billion crowns. Of that total, 31.67 per cent. was to be spent in Slovakia.

Two-Year Investment Plan
(in billion Czechoslovak crowns)

	Czech Lands	Slovakia	Total
Industry and crafts ..	18.58	6.80	25.38
Agriculture	3.11	2.10	5.21
Transport	10.38	4.71	15.09
Repair and building of dwellings ..	9.20	4.80	14.00
Power, transport and other public works	6.47	3.73	10.20
Total	47.74	22.14	69.88

Source : *První Československý Plan*, pp. 100-106, 128.

The national income of Czechoslovakia in 1937 has been estimated at about 60 billion crowns. On the basis of the production Plan, it is expected to reach 160 billions in 1947 and 180 in 1948. Assuming the persistence of the present price level, the real value of the national income at the end of the two-year period will roughly equal that of 1937. The two-year investment thus represents about 10 per cent. of the average annual income of the two years.

The Two-Year Plan set at 590,000 the number of additional manpower required in agriculture and industry.

Additional Manpower Requirements for Two-Year Plan

	<i>Czech Lands</i>	<i>Slovakia</i>	<i>Total</i>
Agriculture	225,000	5,000	230,000
Industry	223,000	47,000	270,000
Building	77,000	13,000	90,000
Total	<u>525,000</u>	<u>65,000</u>	<u>590,000</u>

Source : *První Československý Plan*, pp. 95-100, 129-30.

A ten per cent. increase in per capita efficiency over that of 1937 is also planned. The Act suggested, as methods of acquiring the new manpower the reduction of non-essential employment, reduction of the civil service, the return of skilled labour to their original occupations, a campaign for the recruitment of youth and women, the employment of partially disabled persons, encouragement of reimmigration of Czechs and Slovaks abroad, and the continuation of labour competition. It was officially stated that public administration employed 58,000, transport 110,000, finance and insurance 28,000, and home industries 57,000 more persons than in 1930; and that at least 60 per cent. of the increase could be released to industry and agriculture. Although these methods were suggestions for voluntary action by employers and workers, the Government was empowered to act, if necessary, within the existing laws concerning the conscription of labour.

Foreign trade was not assigned a specific task in the Two-Year Plan, but the Act stated that it must be so organised and directed as to permit the export of the products required to import the raw materials and equipment needed for the accomplishment of the Plan. The Minister of Foreign Trade anticipated that average monthly

exports of 2.5 billion crowns and monthly imports of 2 billions were necessary to meet the needs of the Plan.

The Two-Year Plan has also a 'psychological aspect' which must not be forgotten. It is (and has certainly been used as) a technique for whipping up popular enthusiasm for the relationship between the individual and both his State and the national economy. The point was effectively made by the Minister of Food, who distinguished two aspects of the Plan. The technical side is a matter for experts. But there is also 'the moral side involving a fundamental positive attitude on the part of every individual to the obligations imposed on him. It is this positive attitude alone that can bring about the exertion of will-power which the attainment of our goal necessitates.' Every technique of propaganda at the disposal of the Government has been used to impress on every person his individual task and give that personal task the appearance of a vital role in the welfare of the State. Anyone who has visited Czechoslovakia within the past year can bear witness to the fact that almost every action of the Government, of any institution, and of any individual is justified or condemned in terms of its bearing on the Plan—which seems almost to have assumed a personality of its own.

The Plan is only a partial plan, devoted primarily to the establishment of production goals in basic industries and in investment goods : in power, iron and steel, transport and machinery. It is concerned with consumption goods only incidentally, as commodities to be exported so as to permit essential imports. Although behind the Plan lies the conviction that temporary emphasis must be placed on heavy industries in order to establish an effective base for increasing the production and distribution of consumer goods, the present preoccupation with production has been the subject of criticism. 'Influenced by the Soviet example,' it has been pointed out, the Czechoslovak planners 'are obsessed with production mania, forgetting that an increase in the national income does not necessarily mean an increase in living standards. Here they differ from the British socialists who emphasise consumption.'⁸ That this might indeed be the case and that the population has begun to resent its inability to obtain goods despite the rising level of industrial output were evident in 1946 in the spreading dissatisfaction with the Government's price policy,

⁸ Helbhuber, *ibid.*, pp 25-26.

whose purpose, in conjunction with the wages and currency reforms, was to limit purchasing power and therefore consumption.

It is significant that 1937 has been chosen as the base year for the Two-Year Plan. In 1937, with about 400,000 unemployed in the country, industrial production was still at only 96 per cent. of the peak reached in 1929. The planned increase of 10 per cent. over the 1937 level of production would thus carry Czechoslovak industry only 5.6 per cent. over 1929 production. Dr. Karel Maiwald, Chairman of the State Planning Office, has pointed out the significance of this figure by comparison with the theoretically normal progress of Czechoslovak industry. Assuming a normal rise of productive capacity of 3 per cent. per year, the level of production in 1948 would have reached 157 per cent. of 1929. Reduction of the population to less than 13,000,000 in 1948, which represents a loss of 19 per cent. in industrial manpower, would reduce the theoretical level of production to about 129.5 per cent. Thus 'the difference between the fairly conservative target of 105.6 per cent. of the productive capacity of the year 1929 and the theoretically normal margin of expectations amounts to almost 24 per cent.'

The reasons for this large discrepancy have already been noted. The depression of the 30's and the wartime occupation first put a check to all development and then distorted the pattern of production and development. The loss of population and the changes in the organisation of industry after the war further reduced productive capacity. These checks to the normal development of industry, Dr. Maiwald believes, will be overcome primarily by the exploitation of technological advances from which Czechoslovakia was isolated for the past seven years. They will reduce manpower requirements and increase industrial efficiency, and will at the same time release labour reserves from the land.

Dr. Maiwald does not expect the Plan to change the relative weight of industry and agriculture in the Czechoslovak economy. The lifting of industry above the pre-war level is not to increase its importance in the scale, but to satisfy the temporarily abnormal demand for industrial equipment. Nor does he expect the Plan seriously to change the pre-war pattern of industry. Emphasis on heavy industries he sees as a temporary phenomenon desirable only for a short time, until the damages of depression and occupation are made good.

Dr. Edvard Oustrata, Secretary General of the Economic Council, pointed out that both in regional and industrial development, the Government had left considerable room for activities outside the Plan.

The Plan is above all a plan of reconstruction, aiming at bringing economy back to normal in the shortest possible time, in spite of the disastrous consequences of the war and in spite of the shift of population to the frontier districts. The first Czechoslovak Plan does not cover the entire economy and only affects the main production sectors, i.e., about one-third, leaving the rest more or less free. We have only undertaken the planning of essential industrial branches, leaving regional planning with the exception of Slovakia and the economically undeveloped regions of the Czech provinces to the authorities hitherto concerned. Planning has been carried out centrally without counter-planning from below, but gives free scope for further experiment and development. These are the principal traits of the first Czechoslovak Plan.

This first Two-Year Plan could not escape being limited in scope. Several fundamental difficulties inherent in the nature of the Czechoslovak economy and social system limit the ability of the country to plan its economy. First is the fact that not all of the country's means of production are in the hands of the State. Private enterprise still remains strong precisely in those sectors of the economy—agriculture and the consumer goods industries—which directly affect national consumption, the raising of the level of which is the object of planning. In Czechoslovakia, therefore, planned economy must be restricted; a plan can be applied strictly only in the nationalised sectors of the economy. The remainder can only be influenced by controls. The result is a combination of planned and controlled economy. The second factor is the dependence of the Czechoslovak economy on foreign trade, which is not likely to decrease in the near future. The State Planning Office itself admits that 'the foreign trade "plan" is simply an estimate of the world economic situation.' Equally important as a limitation imposed by foreign trade on planning is the fact that the one country which denies the validity of planned economy—America—is in a position at least partially to impose its will and force concessions as the price of obtaining credits and equipment. The third limitation on planning stems from the fact that Czechoslovak consumer habits are varied rather than standardised. It is a truism, but nonetheless true, that it is far more difficult to plan for diversity than for uniformity. In a

nation accustomed to a relatively high standard of living and characterised by heterogeneous habits, the consumer's desire for distinction (though it is based on psychological rather than real needs) is a factor that must be considered, for it is accepted as a basic right of the individual, denial of which might lead to social difficulties and a collapse of morale.⁹

These facts inevitably limit the scope of economic planning in Czechoslovakia, but they are limitations which, it is equally apparent, the Czechoslovak Government is seeking to mitigate. The first, the existence of private enterprise, is in a sense the easiest to counteract. Despite the occasional professions from the Left that the process of nationalisation is finished and that henceforth private and public enterprise will live peacefully together, it is clear that the process will continue under the pressure of the socialists and that in the meantime nationalised enterprise will receive the favours. 'The Kosice Programme and the present attitude of the Socialist parties must be looked upon as socialist tactics, but the goal is clear to us . . . it is clear that the nationalised sector of our economy will be favoured and only those who are dishonest will not admit it.' The decision to turn over to nationalised enterprises firms under national administration considered necessary to complete their production plans, is evidence of the favouritism. The power of the socialist parties and the nature of the economic measures adopted until now make the outcome fairly certain : gradual socialisation of the whole of Czechoslovak industry.

Mitigation of the second limitation, imposed by the country's dependence on foreign trade, does not rest with Czechoslovakia alone. On the contrary, it depends largely on the stabilisation of the world economy, on the recovery of international trade, and the maintenance of full employment everywhere. That these can be speeded up by the new international economic organisations, may explain Czechoslovakia's willingness to participate in them to the extent that they do not seriously impede its domestic freedom of action. The desire to soften the impact of foreign trade on its ability to plan is also certainly one of the motives for strengthening trade relations with other socialist or socialising nations which can presumably avoid economic crises.

⁹ See Halbhauer, *ibid*, pp 21-7

The third, the nation's traditional consumer habits, may be the least susceptible to the Government's will. The Government has specifically stated that in order to prevent excessive competition and to maximise production, it would encourage the standardisation of production. In the field of consumers' goods at least, that desire might be frustrated by the domestic demand for quality, to say nothing of the foreign demand, for a large proportion of Czechoslovak foreign trade has usually been in the form of high value and high quality goods.

This latter factor raises a basic issue of planned economy, which goes far beyond personal consumption habits: its compatibility with personal freedom. One critic who believes the two are compatible, nevertheless lamented that the problem was rarely discussed in Czechoslovakia, despite the fact that 'there is an inner conflict between the two things and the problem is to find the synthesis.'¹⁰ Only occasionally was the question raised, as it was for instance by a writer in an article on the place of labour direction in the Two-Year Plan. The direction of labour, he pointed out, 'restricts to a certain extent the freedom of the citizen in the interests of the prosperity of the community.' It affects his right to live where he wishes and to make his living as he wishes. Labour direction

in a planned national economic system will bring many new problems concerning the development of a socialist order, problems of personal freedom, the individual's relation to the community and his share in the work of the community. One of the important questions is the extent to which the State can interfere with the life of the individual. This cannot be solved merely on political or legal grounds. The requirements of national economy must be taken particularly into consideration. . . . The new direction of labour may restrict the freedom of the citizen only if this is in agreement with the demands of planned national economy, the success of which determines fundamentally the living standard of the community.¹¹

These various factors not only limit planned economy in Czechoslovakia. They also are a source of danger because it is precisely these conditions which distinguish the Czechoslovak economy from that of the Soviet Union, yet the Czechoslovak planners have sought to build their system on the Soviet example. The Soviet Union does

¹⁰ See Halbhauer, *ibid.*, pp. 18-20.

¹¹ Josef Sliz, 'The Direction of Labour and the Two-Year Plan,' *Socialist Review*—1946, pp. 346-50.

not have a mixed economy; the Soviet Union does not depend on foreign trade; the Soviet consumer has always had a low standard of living and inelastic and standardised consumer habits; the Soviet citizen has no tradition of personal freedom. The rigid application of Soviet planning techniques in Czechoslovakia can therefore lead only to difficulties and perhaps to failure. It is, moreover, too frequently forgotten that even in the Soviet Union planning was the outcome of experimentation, and that many techniques were tried and failed before the present planning system was adopted. Finally, Soviet planning, the world's only example of complete planning of a national economy, has at least one element in common with economic planning as it has appeared elsewhere: it occurs in an economy of scarcity. There has not yet appeared a model for planning abundance. The Czechoslovak economy has the possibility, and is on the verge of attaining a condition of abundance. It remains to be seen whether planning is then possible or useful. Theoretically it can be, but there is as yet no example of national economic planning when there is a sufficiency of goods.

It would seem from all this that economic planning in Czechoslovakia, like its socialism, is not of the pure variety. The revolution that followed the war yielded a mixed economy, a combination of public and private enterprise. Its variety of socialism means, for the moment at least, a combination of economic planning and economic controls, the former strictly applicable only to nationalised enterprise, the latter used to regulate private enterprise. Czech tradition and the nature of the Czech economy provide obstacles (though not insuperable ones) to the effective application of either technique, and the interplay of the two types of enterprise on each other only makes the problem more difficult. Nor is the situation a static one. Though the present tendency is to enlarge the scope of nationalised enterprise and of planning, the effort is not without opposition. This is indeed the heart of the current political conflict in Czechoslovakia.

The Two-Year Plan is a programme of industrial and agricultural production and of the investment and labour required for that production. It is therefore only one aspect of the entire economic programme of the present Government of Czechoslovakia. That full programme was outlined by the Prime Minister in July (and by various Ministers in subsequent statements) and is worth examining in detail, for by the Czechoslovaks themselves it is invariably associ-

ated with the Two-Year Plan. Parts of it have already been enacted or accomplished and parts are now in process of discussion.

The Two-Year Plan simply set the agricultural production goals; the Prime Minister in his statement of policy forecast the continuation of the 'land reform.' The confiscation of German property and the distribution of land among Czechs and Slovaks has been called a 'land reform.' But it was by no means the entire reform contemplated by the Government. Included in the term were also the large-scale efforts being made to introduce mechanisation and to encourage farm co-operatives. New equipment was to be distributed not only by outright sale, but also by the expansion of government tractor stations and by the encouragement of local co-operatives for the joint use of machinery. Rural electrification was also part of the Government's programme.

Land tenure itself was to be affected by the Government's programme. Measures were planned to encourage and facilitate the merging of small farm lots to enable farmers to make better use of mechanical equipment and to release labour. The Government promised a speeding up of the confiscation of land owned by collaborators, a revision of the acts whereby many estates affected by the Land Reform of 1919 were exempted, and a change in the procedure regarding residual estates. The latter would prevent any landholder from having more than 50 hectares. A new hunting law was promised, a proper administration of forests, and a reforestation programme. Most of these plans were presented to the National Assembly in the form of bills before the end of 1946.

The Prime Minister demanded the quick completion of the organisation of national enterprises, and the establishment of federations covering both private and public enterprises. 'A suitable organisation compulsorily combining nationalised and private enterprise,' he said, 'must be established in the form of National Federations of Industry, with a National Central Federation of Industry. The appropriate State authorities will be able, through these bodies . . . to direct whole industrial sectors according to plan, to bring the interests of the nationalised and non-nationalised parts of industry into harmony, and to fit them into the overall State plan, without interfering with healthy competition between them.' Trades, crafts, and businesses must also be combined so that they can be directed in the interests of the State.

The Government promised to support co-operative societies and to legislate into existence a Central Council of Co-operatives, and to simplify distribution so as to reduce costs and therefore prices. 'The system of controlled economy in distribution should be gradually relaxed to the extent that as progress in industrial and agricultural production and the development of foreign trade permit.'

In the field of public finance, the Government promised a speedy completion of the currency reform. It was planned gradually to release blocked accounts, but at a rate sufficiently slow to avoid inflation, and to consolidate the accounts that remained. The balance between the supply and demand of consumers' goods was to be achieved by price and taxation policy. To fit banking into the scheme of planned economy, capital assets must be concentrated and their distribution directed. A National Banking Council would be established to unify the activities of nationalised and non-nationalised banks; it would be the highest authority in the field of banking. The nation's banks would be divided into two groups, one for production loans and another for investments; and they would specialise in particular industries, one bank for one industry. Such measures, it is believed, would eliminate competition among banks, reduce costs and thus permit lower interest rates, permit a clearer view of the financial position of both banks and industrial enterprises, and simplify control of taxation and production. According to the Chief of the Finance Department of the State Planning Office, consolidation would also serve another purpose. The investment programme of the Two-Year Plan depends on national savings. While the current rate of savings is sufficient to bear the programme, about three-quarters of all savings are in the form of current accounts. Consolidation would permit the conversion of a greater proportion of those short-term accounts into long-term credits and loans. Insurance companies would also be concentrated and rationalised.

The system of taxation was to be simplified under the Two-Year Plan. On the basis of the axiom that human labour is the principal source of a country's wealth, labour must be both encouraged and rewarded. Direct taxation would be based on income and would be differentiated in terms of the source of income. The Government conceived of three varieties of tax: on earned income, on industrial enterprises, and on unearned income. In the first of these categories, there would be different rates of taxation of wages and salaries, of

agriculture, of trade, and of the professions. It would then be possible to distinguish socially useful income and to reward it. Small farmers and artisans would be taxed only on their income, and would not be subjected to turnover taxes. At the same time indirect taxes would be revised in the form of a general excise, graded in terms of the social and economic importance of the goods or services affected by the taxes. These measures not only involved a simplification of the tax system; they would also permit the Government to influence the labour market and to control consumption and production. Of the many special taxes ordinarily levied, only the inheritance and estate taxes, the duty on property sales and a few others would be retained. In addition, a periodic property tax would be introduced, based on the principle that the wealthier members of a community must pay a proportionately higher part of their income to the State.

The Government forecast the strict control and direction of foreign trade in terms of the needs of the State. To eliminate middlemen and unjustified costs, imports were to be concentrated in specific groups specialised on the basis of the goods they handle. Exports would be rationalised to eliminate competition for foreign markets among Czechoslovak producers. The programme stated that exports would be determined by the need to import raw materials and foodstuffs, and that they would be primarily in the field of iron and steel products, chemicals, footwear and leather goods, and certain agricultural produce. 'The orientation of our foreign trade must guarantee us as far as possible permanent markets for our products and permanent buying sources for our import needs, in order to gain independence of economic fluctuations and crises.' For this purpose, an extension of trade with the Soviet Union and Eastern Europe was envisaged.

The Government promised that the national standard of living would be raised above the pre-war level by the end of 1948. For improvement of the standard of living, the Government undertook gradually to reduce prices and to remove the rationing of consumer goods. A revision of the wage system was also forecast, increasing the number of piece-workers so as to provide incentive for higher productivity. Efficiency pay and bonuses were to be given to clerical workers. The Government proposed a unification of social insurance plans, an expansion of public health, and more recreation facilities.

Child and maternal welfare, housing, special provisions for raising the cultural level of the countryside, a new educational bill with special emphasis on technical and training schools and adult education were cited as specific objectives.

The results of the first three months of the Two-Year Plan are worth noting. According to official figures, overall production exceeded the Plan in all three months, despite the difficulties imposed by the extraordinarily cold winter.

Production Under the Two-Year Plan, January-February 1947
(output as percentage of planned production)

	January	February
Mining	105.1	101.5
Power	100.1	96.3
Metallurgy	112.9	108.1
Engineering	108.8	105.9
Chemicals	57.4	80.0
Glass	92.7	92.1
Building materials and ceramics	95.8	91.5
Paper	100.6	104.6
Wood	102.3	94.4
Textiles and clothing	109.7	99.7
Leather, skins and rubber	122.1	124.7
All industries (excluding food)	104.2	102.1

Source : *Statisticky Zpravodaj*, April 1947, p. 136.

Only the chemicals, glass and building materials and ceramic industries have been consistently below planned production. The general decline that occurred in February was made up in the following month, so that the overall production of March exceeded even that of January. During the first three months of the year, the ratio of actual to planned production fell for the power, engineering and building materials industries. It is significant, however, that the actual output of pig iron and steel was higher in March than in January, as was that of coal, lignite, coke, iron ore, and steel products.

Foreign trade, relatively unplanned but nonetheless the key to the success of the Two-Year Plan, did not fare as well. It slipped far below the level of December 1946. Exports fell from 2.7 billion crowns in December to only 1.9 billions in January and 1.7 billions

in February; imports also declined from 1.8 billions to 1.5 billions in January and February. This was not only a steep decline; it was also a decline below the level announced as necessary for the attainment of the Plan. There was a slight recovery in March, to 1.9 billions for imports and 1.8 billions for exports, but it was small and resulted in the first deficit trade balance since December 1945. Normal seasonal declines and the inclement weather were cited as the causes. There was reason to believe, however, that the price of Czechoslovak products was not an inconsiderable factor. The poor results of the Prague Fair in March were evidence of that contention.

In any case, January, February and March represented only one-eighth of the period of the Two-Year Plan. In itself, the short span cannot be used as a test of success or failure. Too much depends on internal developments in Czechoslovakia and even more on the course of international trade and politics.

From the point of view of the consumer, one of the immediate results of the Two-Year Plan was a March decree lowering the prices of foodstuffs and of certain manufactured consumer goods. The reduction is to be financed by a special tax on turnover, which makes it (in the words of the Minister of Foreign Trade) 'largely artificial,' since someone (perhaps ultimately the consumer himself) will pay for it. It is interesting to note that, simultaneously, the farmer's price for many of his products was raised, the difference to be paid by the Government out of general taxes. In this way the Government seeks to reconcile the demands of its two most important pillars of support: the farmer and the urban worker.

CHAPTER 9

THE INDUSTRIALISATION OF SLOVAKIA

THE industrialisation of Slovakia has been a principle in the programme of the National Front since its inception. It is generally recognised that the only permanent solution to the Slovak-Czech problem is the raising of the standard of living of Slovakia to that of the Czech Lands, for the age-old political and social antagonism between the two regions is in large part based on the tremendous difference between their levels of economic progress and the startling contrast in the social status of their inhabitants. To travel from Bohemia to Eastern Slovakia is, in terms of both economic progress and political maturity, to withdraw a hundred years into the past.

For a century Bohemia and Moravia have been a part of Western Europe, while Slovakia has in reality been the beginning of Eastern Europe and of the Balkans, and is still characterised by the problems common to all the predominantly peasant-inhabited, non-industrial and impoverished areas of South-east Europe. Two basic facts are responsible for the difference between the two areas. They were politically separate for a thousand years and were tied by communications and cultural influences to the capitals on which they were dependent: the Czech Lands to Vienna in the West; Slovakia to Budapest in the East. The industrial revolution started in Western Europe and spread into the Austrian lands through the medium of German capital and an economically progressive aristocracy. Industry reached Bohemia, but it could not penetrate into Slovakia, which was intended by the Hungarian nobility to remain a food-producing area and a nation of tractable peasants. Bohemia, moreover, had in large quantities the one basic raw material prerequisite to industrialisation in the nineteenth century: coal.

The varying economic trends of Slovakia and the Czech Lands are illustrated by the occupational statistics of their populations.

The industrialisation and urbanisation of Bohemia in the nineteenth century succeeded in equalising the agricultural and industrial population as early as 1893. Twenty years later, Moravia-Silesia reached the same point. Following the pattern of all industrial countries, the importance of industry has continued to grow, but the proportion of the population directly dependent on industry has remained relatively unchanged since the beginning of the century. The agricultural population has continued to decline rapidly, but the drift from the farms and the new population have tended to concentrate in trade, transport, the professions, and the public service.

In these terms, Slovakia is still at the point reached by Bohemia about eighty years ago. The slow rise in the industrial population of Slovakia, begun in the late 19th century when the industrial revolution took hold in Hungary, ceased with the First World War. In the twenties, it started again, only to slow down in the decade before the Second World War when both Czech and Slovak capital apparently decided that Slovakia must remain an agricultural complement of the Czech Lands. The result was that in 1938, only 20 per cent. of the Slovak population was dependent on industry, and almost three times as many persons remained tied to the land.

Occupational Distribution of Population
(in thousand persons)

			<i>Czech Lands</i>		<i>Slovakia</i>	
			<i>Total</i>	<i>%</i>	<i>Total</i>	<i>%</i>
<i>Agriculture</i>						
1900	..	..	3,618	38.4	1,849	66.3
1921	..	..	3,158	31.5	1,818	60.6
1930	..	..	2,729	25.6	1,892	56.8
<i>Industry</i>						
1900	..	..	3,611	38.3	440	15.8
1921	..	..	3,967	39.6	523	17.4
1930	..	..	4,425	41.4	635	19.1
<i>Other</i>						
1900	..	..	2,208	23.3	501	17.9
1921	..	..	2,885	28.9	657	22.0
1930	..	..	3,520	33.0	803	24.1

Source: *Annuaire Statistique de la République Tchécoslovaque*, 1938, p. 15.

Slovakia still has a higher birth rate than the Czech Lands and a higher rate of population growth. In the latter, the annual excess of

births over deaths has fallen from about 88,000 in 1921-25 to 70,000 during the war, or per thousand inhabitants from 8.6 to 5.6 in 1944. In Slovakia, on the other hand, the rate has fallen from 16.4 in 1921-25 to 10.1 in 1943, still almost twice as high as that of the Czech Lands. The population of Slovakia increases by 30,000 to 35,000 annually.

This annual increment may emigrate or move to the cities or remain on the land. Before the First World War about 10 per cent. emigrated each year; thereafter the proportion dropped to less than 5 per cent. The slow growth of industry gave few opportunities for urban growth, with the result that although the population of Slovakia grew by 540,000 persons from 1900 to 1930, the non-agricultural population in the same period increased by only 497,000. The agricultural population actually grew by 43,000. In the Czech Lands, the increment of 1,237,000 was absorbed by the towns, in addition to which the agricultural population declined by almost 900,000 persons who went into industry, the professions and services.

The pressure of this population had deleterious effects both on agriculture and industry. It meant small holdings, low yields, low incomes. A few statistics will illustrate the contrast between Slovakia and the Czech Lands. In 1930, each Czech industrial worker had one dependent; each Slovak had 2.5. A Slovak agricultural worker had 4 dependents, but a Czech had only 2. In 1937, for every Slovak dependent on agriculture, there was 0.9 hectares of arable land, 0.6 head of cattle, and 0.4 pig, but a comparable Czech had 1.5 hectares, 1.3 cattle and 0.9 pig. The small size of the farm and the outmoded techniques of working it meant lower crop yields in Slovakia. A hectare in Slovakia produced, in 1937, 12 quintals of wheat, compared with 20 in the Czech Lands; 9.5 quintals of rye, compared with 16.8 in Bohemia and Moravia; 107.7 quintals of potatoes, compared with 163.5; and 238.6 of sugar beet, compared with 270.2 in the Czech Lands. Czech yields were consistently higher. In Slovakia, only 51 per cent. of the rural population had electric power, compared with 88 per cent. in Bohemia and 90 per cent. in Moravia. The output of electric power per person in the Czech Lands was about four times as high as in Slovakia. The income of one member of an agricultural family was 1,688 crowns in Slovakia, but 3,105 in Bohemia. Each consumption unit in a Czech farming family ate 42.50 kilos of meat, 18.73 kilos of fat, 250 kilos of flour and its products, and 24.4 kilos

of sugar, but a Slovak ate only 31.5, 15.1, 233.7, and 14.3 kilos respectively. In 1937, 93 per cent. of the nation's deposits on current account came from the Czech Lands and only 7 per cent. from Slovakia. In November 1946, current deposits in unblocked accounts derived to the extent of 80 per cent. from the Czech Lands, and only 20 per cent. from Slovakia.

Slovakia's brief experience as an independent state had a salutary effect on its industry, which expanded in an effort to replace products once obtained from the factories of the Czech Lands and, under German pressure, to increase the output of armaments. The establishment of new enterprises and the increase in the number of industrial workers raised the importance of Slovak industry in the country as a whole. The industrial capacity of Slovakia increased, particularly in metal- and wood-working, mining, textiles, footwear, and food processing. The Minister of Industry described the situation as follows.

On the whole, it may be said of Slovak industry that its development in the last few years, with the exception of armament production, was, comparatively speaking, quick and sound. It is true that not many new factories have been built, but many of the existing ones have been enlarged and modernised. The most important structural change has been an increased emphasis on metallurgy, textiles, and to a certain extent, on mining. Some features may be transitional only, but it seems that on the whole this development will be permanent.

Slovak industry suffered the same collapse immediately after the liberation that was experienced in the Czech Lands, but its revival has been more rapid due chiefly to the presence of a huge labour reserve, the absence of the dislocations produced by the expulsion of the Germans, and a more favourable ratio of productive to non-productive workers. In the period 1934-37, 91.5 per cent. of the total industrial employment of the country occurred in the Czech Lands. In 1946, the Czech proportion dropped to about 84 per cent. Similarly, before the war 93 per cent. of the total value of Czechoslovak industrial production derived from Bohemia and Moravia. At the end of 1946, their share had dropped to almost 85 per cent.¹ In terms of employment, number of hours worked, and the value of production, Slovak industry made greater progress in 1946

¹ *Hospodár*, January 20, 1947, p. 3, *Statistický Zpravodaj*, March 1947, p. 116, *Prumyslový Vestník*, March 10, 1947, pp. 180-1.

than did that of the Czech Lands, and has reached a higher proportion of its pre-war level than has Czech industry.

Despite the more rapid improvement of Slovakia and its growing economic importance in the Republic, its low standards of technology and living justify a planned effort to improve its economy. It still shares the problems and fate of all that part of Europe which was by-passed by the first wave of industrialisation and remained until relatively recently subject to a feudal aristocracy. It maintained a high birth-rate and developed a surplus population whose chronic under-employment was disguised by the fact that it lived on land too poor to support it on any but a subsistence standard. The opportunity for immigration, which once offered relief from the pressure of population, disappeared shortly after the First World War, with the almost universal erection of immigration barriers. Its low income and low standard of living not only made for political immaturity, but prevented the growth of consumer demand sufficient to encourage the establishment of industry and the accumulation of capital required to finance capital investment. Once a nation has been left behind in the process of industrialisation, lack of both capital and demand make it more difficult to start on the road. Artificial wartime conditions provided some stimulus, but not enough to make a significant improvement in the contrast between Czechs and Slovaks. While the contrast remains, there is both an economic and a political argument for industrialisation.

It is universally acknowledged that the standard of living of a particular area rises in proportion to its industrialisation and to the decline in the proportion of its population engaged in agricultural activities. As the level of industrialisation rises, expenditures on items other than food increase and the quantity of manpower required on the land falls. Demand for industrial labour and service employment is created just as it becomes necessary for agricultural employment to be supplemented from other sources. Industrialisation draws surplus people from the land and raises agricultural yields per person. At the same time it provides rural areas with power and better transport and marketing facilities. Industrialisation thus brings in its wake an improvement in both urban and rural living.²

² See K. Mandelbaum, *The Industrialisation of Backward Areas*, pp. 1-19; Royal Institute of International Affairs, *Agrarian Problems from the Baltic to the Aegean*.

The political and social factors which once impeded the industrialisation of Slovakia have now largely disappeared. A programme for the region was implicit in the Kosice Programme of the National Front. The position of the Government was correctly expressed when the Prime Minister, in July 1946, said that 'the coherence and unity of the State require that the economic standard of Slovakia should rapidly approach the economic standard of the Czech Lands. This means that conditions must be created for the fullest utilisation of raw materials and power resources as well as of labour for the extension of old industries and the creation of new and modern industries in Slovakia.'

The solution of the economic problem of Slovakia is a long-range affair. Sporadic beginnings were made immediately after liberation. Since May 1945 the Government has been careful to make provision for Slovakia by the distribution of direct relief and reconstruction supplies out of all proportion to the region's normal contribution to the national wealth, and by the occasional transfer of excess industrial equipment from the Czech Lands to Slovakia. Such actions have been guided by the realisation that a greater need exists in Slovakia and that a prosperous Slovakia would be an economic and political asset to the entire State, as well as by the necessity of granting special favours in order to maintain Slovak loyalty to the Republic.

A frontal attack on the entire problem has been made in the Two-Year Plan. One of the expressed purposes of the Plan is to equalise the economic level of Slovakia with that of the historic lands. Factories and machinery sufficient to employ 26,000 persons are to be transferred bodily from the Czech Lands to Slovakia. Of the total investment of 70 billion crowns planned for 1947 and 1948 in the entire country, more than 22 billions are destined for Slovakia, of which 6.8 billions are to go into industry, 2.1 billions into agriculture, 4.7 billions into transport, 4.8 billions into housing, and 3.7 billions for the construction of installations for power and transport and other public works. This investment represents a larger share of the income of Slovakia, than does the total investment in the income of the entire Republic. It is apparent therefore that the Czechs will pay a large proportion of the cost.

The industrialisation of such an area as Slovakia cannot of course be divorced from the mechanisation of its agriculture. The long-range plans assume a simultaneous development in both fields.

Changes both in techniques and in types of tenure are planned for Slovakia. With regard to the latter, the breaking up of large estates into small units applies to Slovakia as well as to the remainder of the country. The economic disadvantages of cultivating small parcels of land are to be overcome by measures providing for the unification of scattered holdings and by the encouragement of co-operatives designed to serve the various needs of the farmer, as well as by the establishment of government tractor stations in community centres. It is notable that the production of tractors holds a prominent place in the Two-Year Plan, and a large part of them will undoubtedly go to Slovakia.

The first stage of the post-war programme for the industrialisation of Slovakia involved the removal of industrial enterprises from the borderlands. This can, however, provide only immediate relief. The factories and equipment that are being removed represent only the excess capacity of various industries, and in most cases excess capacity consists largely of obsolescent equipment; the machinery in good repair is small in quantity. Moreover, the inadequate power and housing facilities now available in Slovakia require that transferred equipment be associated with already existing facilities. Carrying out of such transfers on a large scale, therefore, would result only in the greater concentration of Slovak industry in the few centres in which it is now located and would enhance rather than even out the economic and social contrasts now characterising Slovakia. The dispersal, not the further centralisation of industry, is the need of Slovakia if the full employment of its resources and the nation's social objectives are to be attained.

The transfer programme has not yet been completed, but even when it is it will involve facilities for the employment of less than one year's increase in population and will not even touch the huge reserves of labour on the land. The factories and equipment which have been removed have been chiefly for the textile, woodworking, and metal-working industries, which could easily be attached to existing enterprises, for which raw materials were readily available, and which did not require skilled labour.

The essential basis for the long-run industrialisation of Slovakia is its tremendous resources of hydro-electric power, estimated to have a potential capacity of 7,000 million KWH. Officials of the State Planning Office speak in terms of another T.V.A. which would

transform the countryside by electrification at the same time that it provides electric power for new industries. The Two-Year Plan provides for a speeding up of work on the construction of power plants and dams on the Morava, the Vah and the Orava (the last of which runs through one of the most depressed areas in the whole of Slovakia) at Dubnice, Kostolna, Nove Mesto nad Vahom, and Piestany. It calls for the beginning of construction of a dam at Dobsina and of new power plants at Kralovany and on the Cerny Vah, and the completion of preparations for the construction of power plants near Stropkov, Hlohovec, Sereď, Sala nad Vahom, and Skalec, a dam near Svidník, and electrical works at Novaky in connection with the chemical utilisation of nearby coal reserves. It is estimated that these installations can be completed before 1953 and that their output will increase by more than 100 per cent. the available electric power production of Slovakia.

The second basis for the industrialisation of Slovakia is the existence of extensive raw material resources. Of particular importance is iron ore, which is abundantly present in Slovakia, though the absence of coal makes its exploitation a difficult problem. Plans have been projected to rebuild and modernise metal works at Dubnice, Podbrezova, Filakovo, Trenčianske Biskupice, and Krompachy. Three-fifths of the investment planned for the Czechoslovak metal-working industry will go to Slovakia. New mechanical engineering works are foreseen, as well as the completion of the shipyards at Komarno on the Danube. Slovakia also has tremendous timber reserves, which will feed the woodworking, construction, paper, chemical, and plastics industries, as well as the new shipyards. To exploit these resources properly, new equipment must be acquired and new mills established. They are particularly important because of the loss of a large number of woodworking establishments in the Czech borderlands. And, among many others, the expansion of the food-processing industry is planned.

It is notable that the emphasis of the industrial plan for Slovakia is on heavy and medium industries. Traditionally, industrial revolutions have begun with the textile industry. But it may be observed from the experience of those countries which industrialised late and deliberately that the rate of industrial growth is more rapid when it is begun with a base of heavy industry. This experience, drawn largely from that of the Soviet Union, has been influential in the

thinking of the Czechslovak planners, but by no means decisive, for textiles, food-processing, and other consumer goods have also been assigned a place in the future pattern of Slovak industry.

An essential prerequisite to this development is, of course, the building of an adequate system of transport, which would not only link the various parts of Slovakia more effectively together, but would tie the entire region more closely to the Czech Lands. Czechoslovakia still suffers from its imperial heritage in transport. Communication between Slovakia and the Czech Lands by rail and road had been impeded for political reasons before the establishment of the Republic. In the twenty years that followed, new roads and rail lines were established, and East-West lines were built, but the distribution remained uneven. In 1936 Slovakia had only 30 kilometres of roadways per 100 square kilometres, compared with 60 in Moravia and 71 in Bohemia. The situation was equally bad in railways; Slovakia had 8.8 kilometres of track, but Bohemia had 14.9 and Moravia 12.6 per 100 square kilometres. Sections of Slovakia still remain virtually isolated.

The inadequacy of the communication system of Slovakia was aggravated by the heavy fighting which occurred there (especially in its easternmost parts) during the last months of the war. Although ripped up track and damaged and destroyed bridges and tunnels have by now been replaced, the new installations are thus far only temporary.

Despite the presence of a large reserve of labour, Slovakia still has a serious manpower problem. In the Czech Lands the problem is primarily one of quantity. In Slovakia it is one of skill. The solution to this problem cannot be, and is not being found for Slovakia alone, but rather as a part of the total manpower problem of the Republic. Since the liberation there has been a constant appeal for Slovak labour in the Czech Lands. Two hundred thousand Slovaks are now working in Bohemia and Moravia. Not only are they being trained in industrial skills, but part of the product of their work will return, in the form of equipment, to Slovakia, where it will form the basis for new industries. Aside from workers, Slovak apprentices have been sent for training to the Czech Lands and occupational schools are to be established. Such a solution is, of course, inconceivable outside the framework of the overall planning of the country's economy, which permits the Government to mobilise

and allocate labour to the communities and industries where the need is greatest or where it will serve best the long-range plans of the State.

The industrialisation of Slovakia cannot be accomplished without central planning, without governmental powers adequate to carry out the plan, and without extensive capital outlay by the Government. Government spending will be required to increase the effective demand for goods, either in the form of public investments or of direct subsidies for consumption. The experience of recent times in the industrialisation of new areas has shown that 'the assumption by the State of entrepreneurial functions has accelerated the modernisation of equipment and reduced the disadvantages which formerly characterised the position of backward countries.'³ To attract labour from the land to new enterprise is often a difficult task and can be accomplished only by the assurance of attractive wages and working conditions. The training of labour necessary to accomplish the task is also a job in which the Government can play an important role.

Even non-socialist Slovak leaders have conceded that private enterprise cannot provide the capital required for the necessary new investments, nor can it organise the energy and productive capacity required for the first two tasks that must precede widespread industrialisation: the development of power and the elaboration of the transport system. The tendency of private enterprise would be to invest in existing industries and to concentrate in existing industrial centres, which it is generally conceded would aggravate rather than alleviate the economic difficulties of Slovakia, and would not in the long run increase its industrial capacity to any significant extent. Even assuming that capital could be obtained, there would be a tendency to concentrate its investment in construction and utilities prerequisite to large-scale industry, with the result that while higher incomes increased effective demand, there would be a growing and serious shortage of consumer goods, the deleterious and inflationary effects of which could only be prevented by rigorous controls over prices and distribution. Similarly, there would be the danger that capital would tend to flow into industries requiring the least outlay, which would deprive the area of the main benefits of large-scale

³ Mandelbaum, *ibid.*, p. 6.

rationalisation, in which technical progress tends to occur more rapidly. Finally, foreign loans, which would be necessary, would be more efficiently and cheaply available if they were granted to the Government rather than to individual enterprises, for risks would be avoided, and as Mandelbaum put it, 'the appropriate rate of lending can be determined only on the basis of factors which are not the concern of private lenders' (such as the willingness of the debtor and creditor to trade with each other). The 'responsibility for achieving security in international investment finally rests with the governments of the nations involved.'

On this programme for Slovakia the parties of the National Front are united. Slovaks have at least a purely selfish interest in improving their own living conditions. Both Czechs and Slovaks who have any feeling for the unity of the Republic realise the political implications of the programme. Czechs concerned with their own industry know the potential market which the programme, and increased purchasing power that follows, will make available to their industry.

But there are still obstacles to overcome. One is the debate which still continues over the degree to which public and private capital will be used. If the election returns are any guide, Slovaks are opposed to socialism and to most varieties of government participation in the planning of economy. Though they know the task is big enough to require some government participation, Slovak Democrats still debate the question of degree. This is not simply a matter of defending private capital. They remember that their vote was lowest in industrial areas, where the working population was high and trade unionism strongest. They also remember that trade unionists have been in the forefront of those who have supported the unity of Czechs and Slovaks, a question the manipulation of which has been an important means of maintaining their position. The higher clergy remember these things, too, and know that a rural and peasant population, and particularly an impoverished one, is considerably more susceptible to their power, the maintenance of which concerns them more than ever now that they have lost some of the prestige they had during the days of the puppet Slovak Republic.

The political obstacles are by no means entirely those raised by the Slovaks. The Czechs, with their higher productivity and income, will have to pay most of the cost of the industrialisation of Slovakia, and many are by no means certain that they can trust the Slovaks

to remain in the State. It was no accident that one of the few strikes that have occurred since the liberation was the outgrowth of a protest Czech workers made against the removal of their factory to Slovakia.

Faith for the moment and work in the long run are essential if this ambitious but necessary programme is to be carried out. In any case it must be obvious, even to Slovaks, that the industrialisation of their land and the mechanisation of their agriculture are easier and perhaps possible only within the Czechoslovak State, and easier than it will be in many parts of South-east Europe which suffer from similar economic ailments. The industrialisation of Slovakia can take place within a state which already has an excess of capacity in many fields of industry. It will not have to depend on its own resources alone. The burden of investment and the burden of paying for essential imports will fall on the total population of 12 million, of which the Slovaks are less than a third. Insofar as immediate sacrifice is necessary to attain the planned objective in the future, the greater sacrifice will be made by the Czechs. Moreover, foreign loans would immeasurably aid in the industrialisation programme, and it is obviously easier to borrow within the framework of the entire state, which has a greater capacity to service the loans and pay them off than does Slovakia alone.

PART THREE

CHAPTER 10

FOREIGN POLICY IN THE HEART OF EUROPE

PHYSICAL REALITIES

WHATEVER the social system or the ideology that dominate a particular country, certain basic physical realities and considerations of power exercise a fundamental influence in its foreign policy. Ideas of national interest and the aims of national diplomacy have ever been an expression of the purposes of the politically dominant groups in society. But they are not a precise image; they are rather a reflection distorted by historical tradition and by the physical power of a state in comparison with that of its neighbours. Whether and how they are brought into play depends upon the physical elements of strength which a nation can bring to bear in support of its objective and upon the power relationships of the other nations with which it is in contact. Diplomacy and war are but two aspects of the struggle to satisfy national interest, governed by the same objectives, influenced by the same factors, and to be distinguished from each other only in terms of time and expenditure of physical energy. As Edward Mead Earle put it in his *Makers of Modern Strategy*, 'diplomacy, political commitments and military power, are inseparable.'

Large-scale wars in modern times inevitably bring in their wake revolutions in the relations between states. They speed up technological development, which carries the seeds of profound social changes. They unleash ideas and social forces which upset long-established political equilibria. They frequently result in redistributions of property and therefore of social and political power, and with this may come corresponding changes in the dominant

conception of national interest. They always affect the relative power of states, sometimes permanently reducing the stature of a nation by reducing its manpower and physical plant or by increasing the military potential of its neighbours. To all of these changes, a state must adjust its foreign policy. The adjustments are inevitably compromises between tradition and the new facts of power.

One of the results of the Second World War was to strip foreign policy of the romantic idealism in which it had been clothed for the previous twenty-five years and to give frank acknowledgment again (as it had been given before 1918) to the fact that power lies at its basis: that the interplay of domestic interests determines the stakes of national diplomacy and that considerations of comparative power determine the relations between states. At the same time that the Second World War changed habitual modes of thinking about foreign affairs, it also profoundly changed international relationships themselves. Technology produced new physical instruments of power and bound the nations of the world so closely together that it became undeniable that any but a minor skirmish in an outlying section of the globe bore the seeds of world war: a fact which was, of course, obvious to some people even before 1939. The growth of ideas of democracy, nationalism, and socialism produced revolutions in many parts of the world so that empires weakened and new states arose and threatened to rise. The greatest single military powers in Europe and in Asia were not only defeated but damaged and weakened so thoroughly that they could not in the foreseeable future rise again except as instruments of the policy of other states. With their collapse, other nations acquired hegemony in the areas they once dominated.

Perhaps the most vital fact emergent from the war is that the United States and the Soviet Union, about as far apart on the globe as two states can be, are now the greatest military powers of the world; but that, though their centres of gravity are separated by oceans and continents, the fringes of the territory they deem essential to their national defence, overlap or touch each other. There are no longer great military powers between their borders, against whom in common defence they can make alliance. A second equally important upshot of the war is that only the major military powers can afford the luxury of an independent foreign policy. Small states—particularly those on the fringes of the defence areas of the great powers—

must adjust themselves to becoming parts of great regional groupings of states with common strategic interests. They cannot depend on neutrality or on collective security. Their peace depends on the maintenance of peace between the Great Powers. Their independence rests on their willingness to accommodate themselves to the interests and policy of the great military power in whose area they happen to lie.

Walter Lippmann has extended the term 'good neighbour' to express the relationship between the great and the small power in a given area.

It is one in which the small states and a great one in the same area of strategic security become allies in peace and in war. The great state provides protection which—the technology of modern war being what it is—no small state can provide for itself. The small state reciprocates: it provides strategic facilities needed for the common defence, and it uses its own sovereign powers to protect its great neighbour against infiltration, intrigue, and espionage. Insofar as the small state makes this critical contribution to the security of the neighbourhood, its independence is of vital interest to its great neighbour. The stronger the small state becomes, the more vigorous its national life, the better neighbour it is. For a small state which jealously guards its independence against aggression from an enemy of the neighbourhood is incomparably more useful than it would be if it were occupied and ruled by its great neighbour. . . . We must not, as many do, identify the rights of small nations with their right to have an 'independent' foreign policy, that is to say one which manipulates the balance of power among great states. . . . In this century, small states are much too small in relation to the big ones to pursue any policy but that of the Good Neighbour.¹

The relative independence and prosperity of Czechoslovakia to-day are to a large extent the result of the fact that these principles were learned by its leaders before the end of the war, and that before the end of the war Czechoslovakia had accepted the position in which its size, its physical power and its geographical situation in Europe placed her. It is significant that while feeling has run high and public discussion become acrimonious on many matters of internal policy, foreign policy has been generally free of opposition; for Czech history, the lessons of the war, and the policies of the Great Powers themselves have made it clear that Czechoslovakia belongs to the

¹ *U.S. War Aims*, Overseas Edition, p. 170.

Eastern neighbourhood of nations of which the Soviet Union is the focus, and to this fact the nation has quickly accommodated itself. Having accepted its position, it can and does act freely and independently within the limits available to a small state.

Czechoslovakia is a state of hardly more than 12,000,000 persons. Though small, it is heavily industrialised; but its production capacity is negligible by comparison with that of the Great Powers. Although the nation can feed itself, it depends on foreign trade for industrial raw materials and for markets in which to sell its manufactured products. It has a healthy and well-balanced economy, but self-sufficiency is beyond its dreams.

The country lies in a narrow band of small nations which runs through middle Europe from the Baltic to the Eastern Mediterranean and the Black Sea. These small nations have long-standing political antagonisms and in some cases territorial designs on each other. But they have certain elements in common. They have for centuries been the victims, and in the past 100 years they have been the products of the dissolution of three great empires, the Turkish, the Russian, and the Austro-Hungarian. Above all they have been the victims of Germany, which since the days of the Teutonic Knights has pursued a policy of territorial aggrandisement and intellectual imperialism eastward. That Germany still lies to the west and the north of them with 65,000,000 inhabitants, the largest nation in Europe west of the Soviet Union. These states once lay between the pressures of Germany and Russia; they now lie on the borderland between the effective strength of the Soviet Union and the so-called Atlantic community of nations. Though Germany no longer exists as an effective source of pressure, the memory of the German past remains deeply engraved, and the fear of the recovery of Germany with its large population and its potential industrial capacity provides a powerful bond of unity. All of these nations have at one time or another been parts of a *cordon sanitaire* designed to isolate the Soviet Union. To-day, however, they are all the strategic outposts of Soviet power. Finally, four of these nations speak Slavic languages and for a hundred years have been subjected to the propaganda of Pan-Slavism, inspired in part by the expansive designs of imperial Russia, in part by the common need for unity against Germany, and in part by sheer historical and literary romanticism.

These facts, true of all the states of Central Europe, are especially

applicable to the western two-thirds of Czechoslovakia. Almost a hundred years ago, the Czech historian Palacky wrote that the decisive running thread in the history of Bohemia has been the continuing struggle between Czechs and Germans. Not even the independence of Czechoslovakia in 1918 alleviated the political, intellectual and economic conflict between the two peoples. Bohemia was the subject not simply of land hunger. It was the westernmost of the Slav nations, located in a ring of mountains which as effective natural frontiers are second only to the Alps. It 'is a natural fortress,' Bismarck said, 'erected in the centre of our continent. . . . Bohemia in the hands of Russia would be our enslavement, Bohemia in Germany's hands would be war without mercy or truce with the Empire of the Tsars.' Bohemia has been one of the stakes of international military struggle. Situated as it was between Germany and Russia, Bohemia's destiny has been to be associated—by force or by choice—with one or the other. Association with Germany has been possible only by submission to despotism. Choice, therefore, could only mean association with the Soviet Union, based on a common sentiment of Pan-Slavism as well as on a common history of opposition to German aggrandisement and of western willingness in the past to encourage that aggrandisement eastward. The memory of Munich is a living memory.

For Czechoslovakia, voluntary association is not the entire picture. Bismarck's dictum has been broadened by Walter Lippmann, who pointed out that the 'vital strategic connections' of Czechoslovakia, Poland, Finland, Rumania, Bulgaria, Yugoslavia, Hungary, and Austria lie 'with the land power of Russia,' now undeniably the greatest military power on the continent. 'Their independence can rest only on a Good Neighbour policy in which they, for the sake of independence, and Russia, for the sake of her own security and the peace of the world, come to terms.'² At one time Russia's strategic interest in Czechoslovakia and the necessity for Czechoslovakia to adjust to membership in the Soviet zone of influence were widely recognised. There is reason to believe that they were given official acknowledgment at the Teheran and Yalta Conferences, and they were confirmed—at least in the minds of the Czechs—when the American Army, just a few miles west of Prague

² *U S. War Aims, Overseas Edition*, pp 169-170

in May 1945, could not, owing to agreement reached after the vigorous insistence of the Red Army, advance to the aid of the city despite the appeals of its inhabitants.

Thus wisdom, history and strategic necessity have impelled Czechoslovakia to accommodate itself to the foreign policy of the Soviet Union. The alliance with the Soviet Union has become the cornerstone of its own foreign policy. It has consolidated that alliance with a series of treaties with other members of the Soviet zone. It is free to make alliance with countries outside the zone, but it is inconceivable that these alliances should exclude the Soviet Union. Were that to happen, Czechoslovakia would immediately become the battleground of conflicting military interests, and whether or not open war was the result, the nation would certainly lose its independence and prosperity. That it has a degree of both is a sign of its own realism and of the effectiveness with which it has made the necessary adjustment. It may also be a sign of the degree of independence which a nation may have even in the Soviet zone, if it is willing to adopt the role of the small country on the frontiers of the Great Power.

Though association with the Soviet Union must be and is the keystone of the arch of Czechoslovakia foreign policy, the nation cannot look only eastward. Its culture is that of Latin Christendom. Its intellectual and political history have been part of that of Western Europe. Its economy has been and still is not only associated with, but to a large extent dependent on that of Western Europe and of nations overseas. Severance of that intellectual and economic connection is inconceivable in the short-run future.

Under these circumstances, Czechoslovakia has been energetic in seeking to maintain both its western connections and its eastern alliance. More than that, it is universally recognised that its independent existence as a state, to say nothing of its prosperity, depends on the maintenance of peace between the Great Powers on whose borderlands it lies. Situated as it is, it is peculiarly vulnerable to cross-currents of ideas as well as to military operations. The idea that peace is indivisible is perhaps more widely recognised in Czechoslovakia than among its neighbours because its position would make it an early victim of any breach in the European peace. As Seton-Watson put it, 'Czechoslovakia occupies a key position between East and West, and she can only hope to preserve her independence and

culture if she remains equally the friend and ally of both and is able to perform the functions of interpreter in both directions.³

To maintain such a position requires not only peace between the Great Powers; it also requires relative unanimity at home on matters of foreign policy. In twentieth-century Europe domestic, political and ideological cleavages have the seeds of international as well as civil war. For the conflicting parties inevitably seek commitments of support from one or another of the Great Powers, and the conflicts between the Great Powers themselves are reflected and aggravated in domestic political dissension. A civil war almost anywhere in the world is a world war in microcosm.

Until the Spring of 1947 Czechoslovak foreign policy had been relatively untouched by internal dissension. This was a result in part of the obviousness of the Czechoslovak position; it was also a reflection of the fact that the internal political cleavage in Czechoslovakia, which was perhaps greater now than at any time since the war, was still of minor significance.

It is in these general terms that Czechoslovakia's post-war foreign policy is to be understood. In some of its aspects, the policy does not differ from that of the first period of the Republic's history. But where changes have occurred, they have been the outcome not of doctrine, but of realistic analysis of the nation's physical position and of a European sense still too rare in Europe.

MINORITIES

THE shadow of Germany and Hungary hang like a pall over Czechoslovakia. Those two countries have been the main subject of Czechoslovak foreign policy since 1918, and they have been and still remain the most potent factors influencing Czechoslovakia's relations with other countries. The military imperialism of Germany, which knew the meaning of the Central European bastion called Bohemia, and the persistent irridentism of Hungary, once master of Slovakia, have been the chief threats to the existence of Czechoslovakia since its establishment and have therefore coloured both the internal and the foreign policy of the Republic.

To Czechoslovakia the problem of Germany and Hungary is not simply a matter of foreign policy; it is a domestic affair as well,

³ R. W. Seton-Watson, *Czechoslovakia in its European Setting. An Inaugural Lecture delivered before the University of Oxford in February 1946*, p. 18.

for the German and Hungarian minorities in Czechoslovakia were the instruments and excuse for the destruction of the Republic in 1938. Although these minorities were under the protection of international treaty during the first Republic, the Czechoslovak Government in Exile was able to obtain agreement, during the war, that in the post-war period they would be considered a purely internal matter for the Czechs and Slovaks to handle. The post-war resolution of the problem may, therefore, be considered separately from the main current of the nation's foreign policy, though the two are certainly related.

Czechoslovakia was born at the high-tide of the Wilsonian illusion of nationalities. Itself a product of the principle that each nation has the right to self-determination, it nevertheless incorporated within its frontiers 3,000,000 Germans and half a million Hungarians. The treatment of those minority nationalities has been the subject of exhaustive study and discussion. Despite occasional acts of aggravation and misunderstandings, Czechoslovakia is generally conceded to have fulfilled its obligations to them. Whether this good treatment was the application of principle or an effort to forestall the use of the minorities as instruments of German and Hungarian policy, is irrelevant. The fact is that, despite the treatment, the Hungarian minority in Slovakia was used by Hungary as an excuse for its revisionism and the German minority in the Sudetenland by Germany as an excuse for its expansionism. This internal policy of extensive minority rights was reinforced by the foreign policy of Czechoslovakia, which ought to immobilise Hungary by the formation of alliances with Yugoslavia and Rumania, and to immobilise Germany by establishing a system of collective security and by making alliances with France and the Soviet Union. The double-edged policy was successful with Hungary, until the rise of the Nazi Party in Germany. With regard to Germany the policy foundered with the whole system of collective security on the shoals of British and French efforts to turn Germany eastward against the Soviet Union. Thus the principle of self-determination, which had brought Czechoslovakia into existence, was used twenty years later by its own allies as a weapon for dismembering the state and finally of abolishing it.

The shocking experience of 1938 led Czechoslovak leaders to a radical solution of the problem. Convinced that the presence of Germans and Hungarians in the country under any conditions con-

stituted a permanent menace to its existence, they determined to eliminate these minorities entirely and to reconstitute Czechoslovakia as a 'national state of Czechs and Slovaks.' From a multi-national state whose minorities were protected by political and educational rights, Czechoslovakia was to be transformed into a purely Slav state. Non-Czechs and non-Slovaks who elected and were permitted to remain in the country, could do so only as Czechoslovak citizens and with no rights and privileges other than those of Czechoslovaks.

The elimination of the German minority by expulsion was a relatively simple problem, though, as we have seen, it had serious economic consequences. The principle of expulsion was accepted by the Allied Powers at Potsdam, and in the course of the eighteen months that followed two million Germans were placed on trains to the various zones of Germany. There were numerous examples of hardship, but considering the magnitude of the movement, it was accomplished with both facility and humanity.

The expulsion of the Germans eliminated the danger of a permanent fifth column by uprooting and liquidating a colonisation which had proceeded for many centuries. But the Czechs are well aware that the action has not eliminated all the elements of danger from the Sudeten Germans. Three million Germans now live just beyond the borders of Czechoslovakia who have been ejected from their Bohemian homeland. They could constitute a powerful pressure group within Germany which would keep alive the historical German hatred and contempt for the Czechs. In a revived Germany their potential threat might become real. That danger has called forth specific measures in the Czech programme for Germany.

The problem of the Hungarian minority was of a different character and could not so easily be solved. In the first place, Magyar and German expansionism have in the past been closely associated, and the Czechs believe the former to be an extension and instrument of the latter. In the view of Mr. Clementis, Minister of State for Foreign Affairs, the historic role of Hungary has been that of a wedge driven between the western and the southern Slavs and of a weapon of Germanic imperialism. The objective conditions for such a policy no longer exist to-day, after the defeat of Germany, and, as Clementis put it, 'we should like to believe that the process of democratisation in that country will also make the subjective con-

ditions disappear.⁴ Secondly, there exists in Hungary a sizeable minority of Slovaks (perhaps 120,000) who seemed fated for retaliatory measures if the Magyar minority in Slovakia were roughly treated. Finally, though the Great Powers accepted the expulsion of the Germans, they never agreed to the Czechoslovak desire forcibly to eject the Hungarians.

The Czechoslovak Government planned therefore, not an expulsion of Magyars (only about 25,000 were ejected in 1945) but an exchange of populations by mutual agreement between the two states. This would at best be only the beginning of a solution, for there were more than five times as many Hungarians in Slovakia as there were Slovaks in Hungary. In February 1946, an agreement was signed by which Slovaks in Hungary volunteering for resettlement would be exchanged in equal numbers with Hungarians chosen by the Czechoslovak Government. Both countries reserved the right to raise the question of the remaining Hungarian minority at the Peace Conference.

Not until more than a year later did the first exchange under the agreement begin. In the interim commissions of investigation moved freely across the frontiers, but almost the only result of their activities was mutual and violent recriminations of bad faith. The Czechoslovak Government meanwhile took measures to disperse the Hungarian minority through the interior of the country. Hungary objected on the ground that they involved a forcible liquidation of the Magyar population. The Czechs pointed to the necessity of weakening the weight of Magyar numbers in Slovakia and insisted that if Magyars are to remain in the country they must submit to the regulations concerning the mobilisation and allocation of labour. The latter point had been accepted in the exchange agreement, but the Hungarian Government objected to the fact that entire Hungarian families were forcibly removed from their homes with only 24 hours' notice, during which they had to dispose of their property. In the Czech Lands, they become agricultural labourers.

At the beginning of 1947, Minister Clementis could remark that the problem 'has become the cause of grave tension between Czecho-

⁴ Vladimír Clementis, 'La Politique Etrangere Tchécoslovaque,' *Politique Etrangere*, March 1947, p. 5. See also 'The Hungarian-Slovak Frontier,' *The World To-day*, March 1947, pp. 124-32.

slovakia and Hungary.⁵ He had already told the Paris Peace Conference that 'it is Czechoslovakia's firm conviction that the transfer of the Hungarians is the only way of ensuring peace and harmony in this part of Europe.' Certainly it was the darkest spot in the foreign relations of the country and the cause of the first rebuff to Czechoslovak foreign policy since the war.

At the Paris Peace Conference in the Autumn of 1946, the Czechoslovak Government requested inclusion in the Hungarian treaty of a provision for the evacuation of 200,000 Magyars to Hungary. The Government agreed that the remaining Magyars, after the exchange and the expulsion, would be considered 're-Slovakised.' The Hungarian Government maintained that its economy could not support an additional 200,000 persons and that 're-Slovakisation' of the remainder would be a denial of their rights. The proposal was supported by the Soviet Union but rejected by Great Britain and the United States. American delegates were moreover quoted as favouring the Hungarian counter proposal that the 200,000 persons would be accepted if part of the Slovak territory on which the Magyar minority lived were ceded to Hungary. The final recommendation of the Conference, suggested under pressure by the Czechs themselves, was simply that the problem be resolved by bilateral agreement between the two countries, but that if no solution is found within six months, the matter should be referred back to the Great Powers. In Czechoslovakia, this conclusion was taken as a diplomatic defeat. All parties resented the role of the western powers, particularly of the United States, in rejecting what seemed to all Czechs a matter of elementary wisdom, and resented even more the suggestion that a victim of Nazi aggression and one of the victorious alliance cede land to an ex-enemy state. The conclusion was also widely accepted as a western move to embarrass the Soviet Union. Whatever it was, is not clear; but it certainly led to an embitterment of Czechoslovak feelings towards the West and, at the same time, to a realisation that not all governments had accepted the necessity of the Czechoslovak orientation towards the Soviet Union.

The Trans-Carpathian Ukrainians cannot be considered one of the Czechoslovak minority groups, but the cession of their territory to the Soviet Union is not unrelated to the efforts of Czechoslovakia

⁵ Clementis, 'La Politique Etrangere Tchecoslovaque,' p. 6.

to narrow the national basis of the state. During the First World War the Ruthenians on the western side of the Carpathians requested incorporation in Czechoslovakia, for their only alternatives were the to them unthinkable alternatives of Tsarist Russia or Hungary. Masaryk, convinced that Czechoslovakia must for its own security have a common frontier with Russia, committed himself to the incorporation of Sub-Carpathian Ruthenia, or Trans-Carpathian Ukraine, as a semi-autonomous province. Even then the territory was accepted as a sort of mandate, to be released at such time as the Ruthenians wished to join the main body of the Ukrainian people on their eastern boundaries. In 1944, President Benes was asked about the future of the province.

We took Ruthenia on trust after the last war [he replied]. We consider it necessary that Ruthenia should be formally restored to us because it was included in our pre-Munich frontiers, but, at the same time, if the sub-Carpathian Ruthenians decide to unite with the Soviet Ruthenians (Ukrainians) we shall not oppose it. We merely demand the moral satisfaction of being consulted first. We never did consider that Sub-Carpathian Ruthenia was our concern, but if, after the First World War, they had been given to Poland or remained under Hungary they would have lost their nationality and their national culture. This we preserved for them. We feel we have finished our duty towards them, and we are content that they should join the present Ukraine.⁶

In June 1945, the Czechoslovak and Soviet Governments signed an agreement ceding the territory to the Ukraine. 'The vast majority of the Czechs and Slovaks,' said the Czechoslovak Prime Minister when he signed the agreement, 'regarded our union with the Trans-Carpathian Ukraine as a temporary trusteeship, and few objections were therefore raised to the cession.' Under the terms of the treaty, Ruthenians were permitted to choose freely between remaining in their homeland under Soviet rule, or migrating to Czechoslovakia. The act has been variously interpreted. Minister Clementis has stated that the action was but one aspect of the effort of the country to become an exclusive state of Czechs and Slovaks and was made possible by the post-war desire of the Ruthenians to join their Ukrainian brothers in the Soviet Union. Accordingly the Czechoslovak Government took the initiative in suggesting the agreement.⁷ It is also interpreted as a Soviet effort to acquire a common frontier

⁶ Compton Mackenzie, *Dr Benes*, p. 290.

⁷ Clementis, *La Politique Etrangere* pp. 4-5.

with Hungary and to establish itself in the Danube Valley. That the latter is at least partially true and that the former is less than frank may be guessed from the Soviet pressure applied to Czechoslovakia after the session to return the flood of Ruthenians who sought to escape incorporation into the Soviet Union by fleeing into Slovakia. While there are no accurate figures as to what percentage of the Ruthenians actually desired unification with the Soviet Ukrainians, there is substantial evidence that many did not.

In any case it is certain that Czechoslovakia lost little as a result of the cession, and gained strength both by establishing a frontier with the Soviet Union and by bringing the latter into physical contact with Hungary whose revisionism is still one of the country's chief bogies and applies to parts of Ruthenia as well as to Slovakia.

THE MEMORY OF MUNICH

It requires only to talk to a Czech on the general subject of foreign policy to understand that Germany lies like an obsession at the centre of his thinking. And the history of a thousand years of Czech and German conflict is now summed up for the average Czech, as well as for his Government, in the Munich Settlement of 1938.⁸ To him, Munich represents not only the fate Czechoslovakia can expect at the hands of a powerful Germany, that is, annihilation as a state and subjection as a people; it is also a symbol of the direction in which Czechoslovakia must in the final analysis look for support against any future aggression from Germany.

It is generally conceded to-day that the significance of Munich was not the cession of 3,000,000 Germans and the land on which they lived, to Germany. It lay rather in the exclusion by England and France of the Soviet Union from the councils of Europe, in their agreement to 'exclude Russia from a settlement which had the highest strategic consequences for Eastern Europe. The annexation of the Sudetenland by Hitler destroyed the military position of Czechoslovakia, the outer bastion of the Russian defences.'⁹ It was an effort to turn Germany eastward by giving it a free hand against the Soviet Union and at the expense of any peoples that might lie between.

⁸ See, for instance, Ripka, *The Repudiation of Munich*

⁹ Lippmann, *U S Foreign Policy: Shield of the Republic*, Pocket Book Edition, p. 75

To Englishmen, one writer has recently said, Munich might appear 'a single act of betrayal committed by a now heavily discredited government: for the Czechs it was the considered policy of a great power whose dominions lie largely outside Europe and which has never committed itself to the defence of any European system east of the Rhine.' The sacrifice of Czechoslovakia was but an incident in the general blindness of British foreign policy to European realities, a blindness which permitted Britain's sacrifice of the Bohemian fortress for the greater purpose of locking the Soviet Union out of Europe.¹⁰

Of the allied powers, only Great Britain and France were parties to the Munich Settlement; it was never recognised by the United States. But it is clear that Munich has become associated in the eyes of Czechs with the policy of all the Great Powers of the West and more generally with the policy of what are called 'the bourgeois capitalist democracies.' This may be a misreading of history, but it is nonetheless a factor in Czech thinking. The confusion is the outcome more of post-war developments in international politics than of analysis of the situation of 1938. It stems from the unanimity since 1945 of British and American policy in general, and more particularly of their effort to contain the power and influence of the Soviet Union, a policy which lay at the basis of the Munich Settlement.

The memory of Munich would not be so potent an influence on Czechoslovak thinking and foreign policy, were it not for the fear that the event might be repeated at some future date. The fear is not simply a manifestation of a neurosis. A thousand years of history, during which conflict with Germans and with Germany was continuous, leave memories which cannot easily be wiped out of the thinking of the two peoples. The elements of conflict between the two peoples, aggravated by Nazi propaganda and by the expulsion of the Sudeten Germans, will remain for many years to come. But this is not the sole source of the Czech fear. It lies rather in the possibility that their state might once again become a sacrifice. The breach between the Great Powers has already shown clearly how each side is seeking to make Germany an instrument of its own policy. That the effort should be made at all, the argument goes, is evidence that it is being made to use Germany against the other side. But

¹⁰ S.G.D., 'Czechoslovakia Revisited,' *The World To-day*, January 1947, pp. 10-11

Germany as an outpost against the Soviet Union would be useless without the natural Bohemian fortress. And so the history of the 1930's would repeat itself.

As though the fear produced by memory and the general trend of post-war events were not enough, the Czechs were given a new vision of a powerful Germany and therefore a possible repetition of Munich by the address of Secretary of State Byrnes at Stuttgart in September 1946. At a time when the British and American armies were reporting the growth of underground Nazi resistance movements and journalists were reporting that a majority of the German people were still irreconcilable Nazis, anti-semites, and believers in the myth of their own superiority, Byrnes told a German audience that it was ready for self-government. Coinciding with his address came announcements of American intentions to grant industrial and commercial credits to Germany and to permit American trade with German firms. Byrnes also indicated American dissatisfaction with the eastern frontiers of Germany, thereby opening to Germans the possibility of future revision with the support of the American Government. In the world at large, the address was interpreted as an effort to woo the Germans. To Sumner Welles, the address was 'a panic effort to circumvent Russia,' a declaration of the American 'intention of rebuilding a unified and strong Germany under a central government'; for, he asked, 'Can anyone familiar with the history of Germany during the past twenty-seven years imagine that anything other than a sham federal union would be created, behind whose facade the proponents of pan-Germanism and of military rearmament would rapidly be able to establish a highly centralised administration?' To the Czechs it was not only that; it was also a potential threat to their national existence, for it was an invitation to Germany to join the Anglo-Saxon system.

A second development equally shocking to the Czechs was the series of addresses given by Kurt Schumacher, of the German Social Democratic Party. They were interpreted by Czechs of all parties as evidence of the survival of the imperial German spirit and as an effort to split the Great Powers. The Czech belief that the only European problem is the German problem, was reversed by Schumacher to read, 'There is no German problem, only a European one.' The Czech view that the new frontiers of Germany must be held

at all costs, was reversed by Schumacher to read, 'We shall never sign a peace treaty perpetuating the eastern border of Germany.'

It was inevitable that, after Munich and unceasingly since then, Czechoslovak leaders should believe that their one safe ally is the Soviet Union. The nation believes that the Soviet Union would have honoured its pre-war alliance, had France done so. The nation knows that the Soviet Union cannot permit a strong Germany to exist except under its own domination. Like the United States, the Soviet Union has, since the war, been wooing Germans. But a powerful and united Germany under Soviet influence could be no threat to the sovereignty of Czechoslovakia, for the Soviet Union (no matter how strong the alliance) could never permit Bohemia to fall into the hands of Germany, for Bohemia is the outlying Soviet fortress in the West.

Alliance with the Soviet Union thus became, in the Czech view, the guarantee of the nation's security and therefore the basic element of its foreign policy. If this was obvious and undeniable, another fact was equally certain: that its independence rested on the maintenance of peace in Europe. It seemed probable that at the first signs of conflict, Soviet troops would occupy Czechoslovakia; and conflict, when it came, would centre around, if not actually in, Czechoslovakia.

CZECHOSLOVAKIA IN EUROPE

AN examination of the wartime statements of Czechoslovakia's leaders (particularly of President Benes and Hubert Ripka, Minister of State during the war and now Minister of Foreign Trade, the two most frequently heard on matters of foreign policy) shows something of the Czech conception of the shape of things to come in their foreign policy. It shows also that in the main that conception does not differ significantly from the shape actually taken by Czechoslovak policy in the first two years after liberation.

One idea above all was persistently emphasised in all those statements: that the peace and independence of Czechoslovakia was inconceivable except in the general framework of European peace and that peace was not possible in Europe without at least basic agreement and if possible a definite alliance among the Great Powers. Since the foundation of the Republic in 1918, Masaryk and Benes have stressed the necessity of the European orientation of Czechoslovakia. By this they meant two things: first, that the geographical position of the country, its economy, and its cultural background require close associ-

ation between Czechoslovakia and the whole of Europe; and second, that any breach in the general peace would have immediate unfavourable effects on Czechoslovakia, for Bohemia is one of the major and natural stakes of European diplomacy. It was their conviction that the life of the nation depended on the indivisibility of peace. Seton-Watson, examining the lives of the two statesmen, wrote that 'with the perspective of the last twenty-eight years it is possible to detect a thread running right through their policy and their cultural outlook—namely the absolute need for a double orientation to the East and to the West.'¹¹ The fate of the Republic in 1938-39 bore out their conviction.

Every statement on foreign policy emanating from the Government in Exile reiterated that principle. It is evident, wrote Ripka in 1943, that Czechoslovakia

cannot seek safeguards for her political security solely, or even principally, in a closer union with the other countries of Central Europe alone. On the other hand, she must have bonds of alliance with the Soviet Union, which is geographically the Great Power closest to us. On the other hand she must have bonds of alliance with the Western Powers. This foundation should be supplemented by closer links—of alliance or confederation—with other Central European nations. Although we were abandoned by our friends at the time of Munich, President Benes, while in no way forgetting how the West had treated us, wrote from London to Prague as early as November 1938: 'our true alliance could only be always European: West-East, France-Russia.'

We must follow a European and world orientation not only for reasons of power politics and security, but also for economic reasons. . . . Our economic potential makes us literally a European power with interests even in regions outside Europe.¹²

The care with which the exiled government simultaneously discussed its plans with the governments of the four Great Powers, its efforts to bring together the antagonistic governments of Poland and the U.S.S.R., its attempts to smooth over difficulties between the U.S.S.R. and the Western Powers, and its emphasis on the necessity of continued alliance bear witness to its own belief that Czechoslovakia has no future except in a general world peace.

A second consistent thread of Czechoslovak wartime propaganda was the desirability of Central European federation. Self-protection

¹¹ Seton-Watson, *ibid.*, p. 17.

¹² Ripka, *The Problems of Central Europe*, p. 11.

against a recurrence of the German menace and common economic interests were the main motives. While the ways and means of federating, and its timing, were left to future developments, the conditions of federation were discussed in detail; those conditions foreshadow Czechoslovakia's post-war foreign policy.

Again Ripka was the most vital vocal on this subject. 'We are convinced,' he told the Czechoslovak State Council in February 1943, 'of the suitability and desirability of closer collaboration between the various nations of Central Europe. But we are convinced that such collaboration can be realised only if it is carried out in a European framework, in other words, in close collaboration with the Soviet Union and the Western Powers.'¹³ Although all the Great Powers were generally mentioned in the same breath, the emphasis was placed on the Soviet Union. Any confederation, said Ripka, 'should lean beyond any manner of doubt on Russia and the great democracies of the West. It would never be strong enough by itself. In Eastern Europe, Russia alone provides the counterweight against Germany, and that is why the States of Central and Eastern Europe must enter into friendly collaboration with Russia if they wish to avoid the danger of a new German expansion and a renewal of *Mittleuropa*, the eternal dream of the Germans.'¹⁴ Furthermore, he pointed out, 'every regional confederation should try to establish a close friendship with the peace-loving Great Power with which it is in geographical proximity, while neither neglecting nor underestimating the importance of collaboration with the other Great Powers. Thus a confederation of the small States of Western Europe would naturally lean in the first place on Great Britain and France. A Central European confederation would lean chiefly on Soviet Russia.' Yet each federation should maintain good relations with the other Great Powers.

And thus, the more extensively and concretely we reflect on the possibilities of Central European Confederation, the more clearly and urgently does it appear that its fundamental condition and its very starting point is the continuation of a firm alliance between the Soviet Union and the great Western democracies. Should this great alliance fall to pieces the bonds between the various States of Central Europe would also dissolve, however firm they

¹³ Ripka, *The Problems of Central Europe*, p. 10

¹⁴ *Great and Small Nations, The Conditions of a New International Organisation.*

might be: for the state of disintegration would be exploited by the Great Powers, each of which would seek to find support in some particular Central European country, and it goes without saying that Germany would most profit from this.¹⁵

The author of these views had no illusions as to the early attainment of a confederation, for its necessary conditions (voluntary adhesion, similar alignment of foreign policy, and similar internal regimes) were not likely to exist for some time. Under the circumstances, it was necessary to proceed by means of a gradual rapprochement of the nations in the area. First must come closer co-operation between those nations whose political and economic interests were already similar. Thus from the outbreak of the war, the government in exile was energetic in pursuing alliances with Poland and the Soviet Union, the unity of which with Czechoslovakia was considered a *sine qua non* for ending for all time the German *Drang nach Osten*. Similarly, predicted Ripka, 'Between Czechoslovakia and Austria, possibly also Yugoslavia, a close economic co-operation can develop from the very first period after the war, and there is no serious obstacle to close political co-operation, too. Certain common political interests will further appear between Czechoslovakia, Yugoslavia, and a future Rumanian democracy, as well as between Yugoslavia and a future Bulgarian peasant democracy.'¹⁶

Nor must Central European collaboration await full-fledged political confederation. On the contrary, in Ripka's view, a gradual functional development would be the best beginning. Thus,

we can imagine a large-scale planning of communications by rail, water and air between all the countries of this area. The need to mechanise the agriculture of Poland, Hungary, Rumania, Yugoslavia and Bulgaria, may lead to useful agreements with the appropriate industries in Czechoslovakia and Austria. The agricultural co-operatives of all these countries can collaborate effectively in many spheres. Their industries of various kinds can negotiate various advantageous agreements among one another. Much can be achieved by common work for the raising of the cultural, social and hygienic level of backward regions, etc. By collaboration arising out of concrete tasks and directed towards concrete objectives infinitely more can be achieved for the rapprochement of the Central European nations than by the *a priori* drafting of plans for federation.¹⁷

¹⁵ *Great and Small Nations*, 'The Conditions of a New International Organisation,' p. 24.

¹⁶ *Ibid.*, p. 25 and *passim*.

¹⁷ *Ibid.*, pp. 25-6.

A third principle consistently pressed by Czechoslovak leaders during the war—indeed the principle which lies beneath all others and beneath all prescriptions for post-war policy—is the necessity of unity against Germany.

Germany with her 70,000,000 inhabitants, situated in the centre of Europe, is possessed by a dynamic will to power and domination which is characterised by diseased and spasmodic symptoms of megalomania. This Germany which, in the course of her whole history, has not been capable of carrying out a spontaneous revolution, brought about by her own forces, and has been unable to renew her spirit or transform her social structure, is still inspired by a primitive and barbarous desire for expansion and this compels the rest of Europe to unite in the face of the mutual danger which she represents for this continent: It is not Russia, nor yet Soviet Russia—which is approaching ever closer to the rest of the world—that represents the essential problem of Europe and the whole world, but Germany, with the obscure forces which have always driven her on, from Luther to Hitler, towards a spiritual and social isolation that is both indisputable and voluntary.¹⁸

Fear of Germany becomes the basis for almost all policy: for Central European unity, for alliance with the Soviet Union, for the alliance of the Great Powers; for while differences among the latter are adjustable, there can be no adjustment between Germany and the rest of the world.

A fourth principle, derivative from all these, is the desirability of close collaboration with the Soviet Union. Mutual protection against Germany was the first reason stressed. Soviet proximity as the Great Power was the second. 'As far as Czechoslovakia is concerned . . . she sees the guarantee of her security first and foremost in alliance with the Soviet Union, the Great Power that is geographically 'closest to her.'¹⁹ Writing in 1942, Ripka pointed out that after the war

'the influence of the Soviet Union will—especially in the Central European area where we also live—be far stronger and more far-reaching than has hitherto been the case in the history of Central Europe. As our policy, in the spirit of our national tradition, has deliberately tended towards friendship with the Soviet Union and its nations and for the whole of the last twenty years has helped in every possible manner to bring about collaboration between the Soviet Union and Western Europe, it will have

¹⁸ Ripka, *Russia and the West*, pp. 12-13.

¹⁹ Ripka, *Great and Small Nations*, p. 58

no need to adapt itself to this new state of affairs but will make use of it in such a way that the Czechoslovak-Soviet alliance should become one of the fundamental pillars of Czechoslovak policy, just as the alliance with the Western Great Powers will be.²⁰

As time went on, greater emphasis was placed on the Soviet alliance as the cornerstone of Czechoslovak policy. No European alliance or commitment must be made which would exclude Russia. No European federation is possible without Russia, for it would then be essentially an alliance against Russia and would permit the recrudescence of pan-Germanism. Central Europe must 'seek support against the German threat in friendly co-operation with the Soviet Union; this orientation lies in the traditional line of our policy and I declare once again that Czechoslovakia would take no part in any combinations or unions directly or indirectly aimed against the Soviet Union or which it was intended to use for an anti-Soviet policy.'²¹

Finally, it was the general conviction of Czechoslovak leaders in London, that whatever the system of alliances or federations that grew out of the war, the small nations of Europe—among them Czechoslovakia—must maintain their political independence. Ripka rejected the idea of a privileged position for the Great Powers or of dividing the world into spheres of influence.

'But we adhere with equal firmness to the doctrine of essential collaboration between the smaller and the great nations based on mutual respect and on geographical and political realities. When at the same time we declare openly to all parties the absolute necessity of the friendly and allied collaboration of all peace-loving nations and especially of the smaller nations of Central Europe with the Soviet Union, and when we seek the assurance of our independence and security in alliance with this Great Power as well as with the Western Great Powers, in the endeavour on these foundations to attain closer allied collaboration with the other smaller nations of Central Europe, then we are convinced that by this policy we are effectively serving not only the interests of our own nation but the interests of the whole of Europe and especially of the other nations in Central and South-eastern Europe that are geographically close to us.'²²

Much of this President Benes summed up specifically in his address to the Czechoslovak State Council in February 1944.

²⁰ Ripka, *Great and Small Nations*, p. 33

²¹ *Ibid.*, p. 35.

²² *Ibid.*, p. 49.

The foundation of our future foreign policy is, and will be, the geographical position of the Republic in its pre-Munich frontiers. Its cornerstone will be our Treaty with the Soviet Union, which will form the basis of our post-war security. It will be completed by a second essential pillar of post-war European policy, i.e., the British-Soviet Treaty, by which we are automatically bound to a very close and friendly co-operation with Great Britain. . . . Our third essential task for the days to come will be to bring about, in a spirit of complete friendship with the Poles and the Soviets, that guarantee against a German 'Drang nach Osten' which is contemplated by the Soviet-Czechoslovak Pact. The fourth foundation . . . will be the acceptance of the principles of the post-war security system, the basis for which was laid at the Moscow and Teheran Conferences. In this respect we, being a small state, shall accept whatever may be agreed upon between the United States, Great Britain and the Soviet Union in consultation with the other Allies. . . . We shall systematically strive for satisfactory collaboration in Central Europe.²³

In these statements, repeated many times in the course of the war, are to be found the elements of post-war foreign policy. They forecast association with the Soviet Union. They foreshadowed the growth of 'Slavonic policy,' although that phrase did not occur until the end of the war. They indicated the shape of foreign political and economic policy. The stress on the unity of the Great Powers pointed the way to the Czechoslovak position in the post-war international conferences.

It is doubtful, however, if these men saw during the war the full import of the Soviet impact on Europe if they realised that the logic of their position would within a few years carry them into what has come to be known as the 'Soviet bloc' and open them to the accusation of being 'satellites.'

IMPACT OF THE SOVIET UNION

WHEN, in May 1945, the Red Army stood triumphantly on the banks of the Elbe, the Vltava, the upper reaches of the Danube, and the Adriatic, it was a foregone conclusion that the Soviet Union would never willingly withdraw its influence from Central Europe. That area, which once harboured the German power and the small nations which were used for twenty years to contain or to undermine the Soviet power, was now occupied by Soviet troops. Whether the

²³ *Czechoslovak Policy for Victory and Peace*, pp 33-4.

troops came under the banner of freedom or carried westward a new barbarism (and for different people they did both) was largely irrelevant. The point is that they carried the means of securing the area against a future effort by any power to use it, or any part of it, as a potential base of operations against the Soviet Union. The troops might and would be withdrawn, but only in proportion as, and from those places in which, governments were established which were genuinely sympathetic to the Soviet Union and which could be relied upon under any circumstances to defend its western frontiers. It was obviously better that these governments should be chosen with the consent of the governed, but whether they were chosen at the ballot box or created by specific political groups by their own machinery and with the aid of the Red Army, was also irrelevant, so long as they were safe governments from the Soviet point of view. For though Soviet troops might withdraw from that line running from the Baltic to the Adriatic, the Soviet power never would, except under the impelling necessity of military defeat.

This fundamental fact of the new face of Europe was apparently recognised by the Great Powers at Teheran and Yalta. It was the first meaning of the impact of the Soviet Union.

The fact was reflected in the Soviet political programme for Eastern Europe, as it unfolded in 1944 and 1945, behind the advancing Red Army. The Soviet Union would itself take over all areas having predominantly Russian, Byelo-Russian and Ukranian populations. Under this principle the Soviet Union absorbed easternmost Czechoslovakia and thus crossed the Carpathians for the first time. At the same time, the Soviet Union encouraged a series of alliances not only between itself and the other Slav states, but among the other Slav states themselves. Equally important, it supported anti-fascist coalition governments of parties ranging from centre to left, with those right of centre excluded at any price, on the principle that a basic ideological cleavage in any country within the zone of Soviet interest provided a possible nucleus for anti-Soviet activity. Communist and Catholic parties could participate in these coalitions, or any other parties within the limits of the prohibition against the taint of collaboration or the potential threat of anti-Soviet activity.²⁴

This was the second meeting of the Soviet impact. On the inter-

²⁴ See Frederick L. Schuman, *Soviet Politics at Home and Abroad*, pp. 520-1, and Edgar Snow, *The Pattern of Soviet Power*, pp. 58-72.

national level it prescribed the techniques of collaboration. Internationally it set the limits of government action and gave guidance for the conduct of local Communist parties.

The Soviet Union had also an economic and social programme for the area. Excepting only Czechoslovakia, the entire area was one of impoverished peasants, landlord-ridden, eking out a miserable existence with inadequate equipment, frequently on poor land. Excepting only Bohemia and Moravia, the entire area from the Baltic to the Mediterranean was under-industrialised, with little and highly concentrated purchasing power. Throughout the area, wealth and economic control were highly concentrated either in individuals or in banks, a large proportion of which was tainted by collaborationism. Partly by the example of its own history and partly through the instrumentality of local Communist parties, the Soviet Union sent abroad a programme of expropriation of large estates and their distribution among small or landless peasants and of the nationalisation of key and large-scale industries. While the programme may have meant the doom (and sometimes the death) of great landowners and industrialists, it was based on a conception of private or co-operative enterprise on the land and a combination of private and public enterprise in industry. The example of its own experience also gave an impetus to ideas of planned economy. Whatever the political implications of the programme, it was admirably suited to the economic needs of the area as well as to the economic aspirations of the great masses of the population.

Whatever the relationships between the Soviet Union and local Communist parties (and it differed from area to area), it was a natural consequence of the war that Communist parties should benefit from the prestige of the Soviet Union and the presence of the Red Army—at first at least. They were the main carriers of the Soviet programme for Central Europe and the party most completely committed to association with the Soviet Union. In the first flush of liberation their power was no index of their numerical strength; on the contrary, it far exceeded the latter. It was equally inevitable that the numerical strength of Communist parties would wax and wane with the experience of Eastern Europe with a Red army of occupation.

That the Soviet Army frequently arrived on American trucks and using American weapons was of less importance than the fact that it

was the Soviet Army which came and built up everywhere a reservoir of gratitude as the instrument of liberation. Experience with the army may have been a heavy drain on that reservoir—as experience with any occupying force is—but a substantial residue inevitably remained of sentiment and good will towards the Soviet Union.

However great the sentiment of gratitude, however apparent that Soviet policy in Central Europe would not be based on ‘communi-
sation’ of property, but rather on the strengthening of the peasantry, it was inevitable that the advent of the Soviet Union would open up ideological cleavages which during the war were at least partially submerged in the interest of the common cause of defeating Germany. Though no one would condone frank and outright collaborationists, there would be a great mass of people—members of suspect or guilty political parties or other organisations—whose views would never adjust to the necessity of collaboration with the Soviet Union. More important than they, were the landlords to be dispossessed, the industrialists to be expropriated, and the small business men who would have to submit to government regulation. Finally there were the men genuinely and intellectually convinced of the validity of laissez-faire doctrine or of western democratic forms and who feared the discipline and personal regimentation associated with communism and the Soviet Union.

This cleavage would be certain to come with Soviet influence in Middle Europe, but whether it would mean civil war or whether it would gradually close in the light of actual experience would vary from country to country, depending on local circumstance. Such a divergence of views within any country would affect its relations with the Soviet Union, the more so, as parties of the Right would call or rely on the support of other Great Powers. The Soviet weight would certainly be thrown into the balance in the event a government unfavourable to itself threatened to come into existence. If there were no such threat, there seemed no good purpose to be served by outright Soviet intervention. But how to avert that threat would depend on the willingness of political parties to work together in the common interest, and on wise and vigorous statesmanship.

THE EASTERN ORIENTATION

THE wisdom of Czechoslovak leaders in planning their foreign policy lay in the fact that from the beginning of the war they laid the

foundation for full collaboration with the Soviet Union. If Germany won the war, which they never believed, they would never be in a position to establish any kind of foreign policy. If Germany lost, then it could only be through the alliance of the Soviet Union and the Western powers. In that event, victory would certainly bring the Soviet Union into Central Europe. To that eventuality the leaders of the Czechoslovak Government in London directed their energies, the result of which was, as one writer put it, that they successfully solved the Russian problem before the end of the war, when on December 12, 1943, they signed with the Soviet Union a twenty-year treaty of friendship, mutual assistance, and post-war co-operation.

There was a good foundation for such a treaty. In the period between the two wars, no nation was on better terms with the Soviet Union than was Czechoslovakia; no country was more concerned that the former be brought out of its isolation into the League of Nations and the general concert of European nations. The association between the two countries was climaxed in the Treaty of 1935, which never went into effect at the time of the Munich Settlement because of the action of the French Government, whose participation was a condition of the Russo-Czech Alliance. It is clear that Czechoslovakia believed, and still believes, that the Soviet Union was ready to honour its obligations in 1938. Munich and the outbreak of the war never completely interrupted relations between the two countries; and within a month after the German invasion of Russia, a Treaty of Alliance was signed (in July 1941) for the duration of the war. It was, however, only a renewal of the Treaty of 1935, and the Czechoslovak Government did not feel that it laid a sufficiently strong foundation for the future.

President Benes indicated his intentions in November 1942, when he told the Czechoslovak State Council in London that 'there is no doubt that after the war, too, we shall remain in a relationship of alliance with the Soviet Union.' The end of the war, he declared, offered the 'decisive historic occasion for thwarting, once and for all, the pan-German *Drang nach Osten*. . . . The present war has shown that for this is required a genuinely amicable and loyal co-operation between Poland, Czechoslovakia and the Soviet Union. . . . If we succeed in bringing this about, the whole future of Poland and Czechoslovakia will be guaranteed and all Europe will be benefited.'

In February 1943, Benes suggested to the Soviet Government a

long-term treaty of alliance on the lines of the Anglo-Soviet Treaty of the year before and broad enough to permit Poland to participate if it should so desire. The Soviet Government agreed and a treaty was drafted with the full knowledge of Great Britain and the United States. But its conclusion was held up at British request until after the Moscow Conference of Foreign Ministers.

The treaty, signed in Moscow in December, specifically named Germany as the object of the alliance. The governments were bound for twenty years to come to each other's assistance if either one were attacked by Germany or by a state associated with Germany. Nor were they to take part in any coalition of states directed against either one of them. They also promised non-interference in the internal affairs of the other and full political and economic co-operation. A Protocol attached to the Treaty provided that the Treaty might be joined by any other victim of Germany which might wish to join it.

In explaining the Treaty of the State Council, Minister Ripka stated that the German power could be broken 'if the nations of Central Europe inaugurate a sincere co-operation with the Soviet Union; against a stronghold thus constructed any attempt on the part of aggressive German imperialism must prove a disastrous failure.'²⁵ This was the main purpose of the Treaty; for this reason it was left open for others to join; and for the same reason, Ripka reported, the pact was a cornerstone of European peace.

Ripka was also convinced, as were such others as President Benes, that the Treaty gave an indication of Soviet willingness to respect the sovereignty of its neighbours so long as they gave proof of co-operation with the Soviet Union. 'By these formal commitments it has once more been confirmed that the Soviet Government has no project of forcing its political regime on to other nations, still less of annexing Central Europe or other nations into the Soviet scheme of things . . . every nation in this area upon which the Soviet Union directly borders, may rest assured that, if it fosters friendship with this great power, it will assuredly receive from it friendly assistance in safe-guarding its freedom and independence.'²⁶

To Benes, his visit to Moscow to witness the signature of the treaty was a climax of his career, the culmination of the many mis-

²⁵ Ripka, *The Soviet-Czechoslovak Treaty*, p. 12.

²⁶ *Ibid.*, p. 15.

sions of Czechoslovak political leaders to Russia since 1848. 'I believe that Masaryk himself, were he alive, would regard by journey to Moscow as the crown of his own life's work.'²⁷

The signature of the treaty was to have an important internal influence in Czechoslovakia. It assured the support of the London Government by the home resistance and by the Communist Party, and it assured collaboration between Communists and other parties in the period after the end of the war. It was equally important in the field of foreign affairs, for it assured the Soviet Union of Czechoslovakia's benevolent intentions. Whatever has been the course of developments in Eastern Europe since the war, and the course of Soviet Government and Communist Party activity, in Czechoslovakia the results forecast by Ripka and Benes have been attained, for there has been no overt Soviet intervention in the internal affairs of the State. No political party, whatever its views of the relative merits of the Soviet Union and the western powers, would deny even to-day that the Soviet Treaty must remain the foundation of Czechoslovak foreign policy.

The Treaty was never meant to be exclusive. Both during the war and since its conclusion, the Czechoslovak Government has persistently insisted that the nations of Central Europe must live in the closest collaboration. They foresaw the Treaty as a model for co-operation between those nations and the Soviet Union and among the nations themselves. It was natural that the nucleus of the alliance which they prescribed as essential for Central Europe should be the Slav states, among whom the bases of agreement were greatest. But not until the beginning of 1947 was even this nuclear alliance completed.

In May 1946, after a triumphal visit to Prague by Marshal Tito, a treaty of alliance was signed with Yugoslavia. A year later, in March 1947, a pact was reached with Poland. Meantime both of those governments had allied themselves with the Soviet Union. In all cases the terms were similar to those of the Soviet-Czechoslovak Treaty, binding the signatories to mutual assistance against Germany or any ally of Germany and to co-operation in the maintenance of international peace and security. It is interesting that a treaty was signed with Poland despite the continued friction regarding Teschen

²⁷ Mackenzie, *ibid.*, p. 301.

and other conflicting territorial claims, which since the end of the war has several times flared into bitter controversy. A protocol attached to the pact pledged the countries to leave all such questions in abeyance and to seek solutions within two years. Meanwhile the national minorities, Poles in Teschen and Czechs in Poland, were to be given special educational, political, and economic rights. (The granting of special minority privileges was presumably justified on the grounds that it was a temporary measure.) Union of the two governments against Germany had as much reason in 1947 as in 1938, when it did not exist at all, for each of the countries has undoubtedly increased German resentment by the recent expulsion of several million Germans.

This treaty was the completion of the system of alliances of the allied countries of Eastern Europe against Germany. It was also the completion of the nuclear alliance of the Slav world.

Though the inter-slav alliances may have been considered the essential basis of security, the Czechoslovaks have always maintained that the security of Eastern Europe depended not only on these states but on close co-operation with the others as well, with Austria, Hungary, Bulgaria and Rumania. Political or military alliance with these countries, all of which fought with Germany, obviously had to wait. But commercial relations did not. Since the end of the war, the Czechoslovak Government has maintained that tying the knots of trade with this area was a national interest: partly because it would have favourable political effects, and partly because all these nations have launched similar economic and social programmes and have set out on the paths of planned economy. The trade agreements between Czechoslovakia and Yugoslavia, Poland, and other neighbours of Eastern Europe, in which Czechoslovakia normally undertakes to supply the products of heavy industry for the development and industrialisation plans of other countries, and receive raw materials in return, are beginning to take on the aspect of an economic integration of Eastern Europe. This is the functional beginning of Central European federation that Ripka suggested in 1942. Its heart is the Slavonic alliance.

It is an irony of the history of political ideas as well as an indication of the way in which ideas change and can, in different historical contexts, be used in different ways, that Pan-Slavism, once the imperialist instrument of the most reactionary landed aristocracy in

Europe, has now become a doctrine, if not a tool, of Eastern European socialism.

Few phrases are more common in Czechoslovak discussion of foreign policy to-day than 'our Slavonic brothers' and other variations on the theme of Slavonic unity. With varying emphasis it may be heard from the spokesmen of all political parties. It is used to express a variety of ideas, from a mystical and romantic sentimental attachment based on the mythological Cech, Lech, and Rus, on the one hand, to a positive programme of political unity under Soviet leadership on the other.

The idea of Slavonic unity arose in the first half of the nineteenth century in Slovakia and the Czech lands as a manifestation of nationalist protest against the Hapsburg Empire. In its early form it was primarily literary. It gathered strength under the twin pressures of Magyarisation and Germanisation, but it never acquired a clear-cut and unified political programme. It was russophile in the sense that there was an inevitable tendency to look to Imperial Russia as the only power sufficiently close and sufficiently strong to aid the aspiring small Slav nations of Central Europe, but it never prescribed coalition with Russia or a merging of all Slav peoples in the Tsarist Empire; on the contrary it demanded the equality of all Slav peoples. There were sufficient areas of conflict among Slav peoples—between Russians and Poles, between Poles and Czechs—to prevent the attainment of a single political programme. There was also the fact that Pan-Slavism, in the latter part of the nineteenth century, was adopted by various elements of Tsarist society as an instrument of Russian expansionism. It was never the consistent policy of the Tsarist Government; it was encouraged and used or discouraged and suppressed at various times, depending on the particular objective to be gained. When it appeared, it was almost invariably associated with the expansion of the Orthodox Church, the predominance of the Russian language, and the domination of the Tsarist Government. This political Pan-Slavism alienated the Pan-Slavists of the small nations of Western Europe, many of whom were Roman Catholics, and all of whom sought only the protection of Russia for their own national development.

In 1942, President Benes denied the existence of Pan-Slavism as a political movement in the nineteenth century. Until the First World War, he wrote,

'there was no uniformity, no common line of action or genuine unhampered co-operation between the various Slav peoples, nor could this have been otherwise. . . . The development [of the Slav movement] from the French Revolution and from Kollar down to the decay of Neoslavism was not . . . a very promising one. For the idea of Slav fellowship, by its very essentials, could and can be only a truly democratic idea and, in actual fact, an idea of a radical-popular, and a political and social revolutionary character. Without a democratic regime, without upheavals and political and social revolutions against the conditions prevailing in the nineteenth century, no community and co-operation of the Slav peoples, who were oppressed from within and without, could become a reality. Hence, this community has hitherto not existed at all, and hence, too, it is only now being elaborated.'²⁸

'The idea of Slav unity would have been doomed to irremediable discredit, if it had no others support than consanguinity and religious Messianism. But it also rested on a common aversion of Germany.'²⁹

That Pan-Slavism as a political and activist movement never existed except as a manifestation of Tsarist policy, is now the predominant view among Czechoslovak leaders. There is evidence for their contention that the conception of Pan-Slavism as a menace to Western Europe was the creature of German propaganda designed to cover Pan-Germanism by establishing Germany as the protector of Europe.

In Slovakia and the Czech lands especially, where the ideas of Slav unity were first expressed, the political formulation of Pan-Slavism was rejected. But both russophilism and feelings of Slavonic solidarity remained sufficiently strong to create a deep cleavage among Czech leaders up to the time of independence. Such men as Karel Kramar, who became the first Prime Minister of the Republic, fought for Russian support against Masaryk and Benes who insisted on a western orientation, partly because they could see no hope of aid for independence from an autocratic Russia, and partly because the culture of Czechoslovakia was more closely associated with Western than with Eastern Europe. The latter won, although victory for the advocates of westward orientation did not involve isolation from the Soviet Union. Between the two wars, internal conflicts among

²⁸ *Slavjane*, Nos. 5-6, 1942, quoted in Clementis, *Pan-Slavism Past and Present*, p. 55.

²⁹ Albert Mousset, 'La Politique Allemande du Bloc Slave,' *La Revue Hommes et Mondes*, April 1947, p. 595.

Slav peoples within newly established Slav States and international conflicts between Slav States were greater than ever in European history; and in the Soviet Union the idea of Pan-Slavism disappeared entirely with the new Soviet policy of equality among all nationalities within its frontiers. Yet in this same period, russophilism continued to grow in Czechoslovakia, whose President and Foreign Minister lost no opportunity to tighten diplomatic ties with the Soviet Union.

Panslavism has risen again since the Second World War, although its spokesmen in Czechoslovakia and elsewhere are careful to avoid that term and to substitute for it simply the adjectives 'Slavonic' or 'all-Slav.' That substitution is necessary in order to dissociate the new idea from its Tsarist distortion. For the new idea, at least in its official expression, is a direct repudiation of any political programme other than equality for its members. Its basis, in the first instance, rests on a common defence against the recurrence of danger from Germany, and in the second on the possibility, with new and more democratic governments, of eliminating the historic antagonisms between Slav peoples—antagonisms which were encouraged and used by the Great Powers of Europe for their own national benefit. Both points were expressed repeatedly at the All-Slav Congresses held in Moscow during the war. The manifesto of the first (August 1941) Congress declared that 'we have one, all-embracing wish: that the Slav nations, just as other nations, may be enabled to develop in peace and freedom within the framework of their own States. We resolutely and firmly repudiate the idea of Panslavism as an idea having altogether reactionary purposes, profoundly hostile to the high ideals of the equal rights of nations and of the national development of all States.'³⁰

It was inevitable that Pan-Slav sentiment should arise again after this war, and that once again Russia should be its focus, though this time in the vastly different form of the Soviet Union. Second only to the Jews, the Slavs were chosen by Germany as the mass victims of the Second World War. It was only in alliance of all Slavs (except the Bulgarians, who however never declared war on the Soviet Union) that liberation was attained. Even more important, liberation came in the form of the Red Army, which, when the war was over, included within its lines all the Slavonic peoples of Europe.

³⁰ Quoted in Clementis, *La Politique Etrangere*, p. 62.

The political coloration as well as the political geography of Eastern Europe was the upshot of liberation by the Red Army, under whose watchfulness or outright management the new governments were established. Another fact was also significant. With varying degrees of freedom, the Slavonic states all launched similar economic and social programmes, based on a repudiation of the principles of economic liberalism.

This fact became the ideological basis of the new Pan-Slavism. In the new system which attached them to the Soviet Union, one French analyst has pointed out, 'the Slav governments avoided putting forward the racial concept, evidently in little favour after the Hitlerian adventure. They preferred to justify their community of views by an ideological consideration: namely, that they incarnated the only true democratic spirit in the face of bourgeois reaction and liberalism of which the western powers were the survival.' One purpose of this view is to prevent the rest of the world from attributing to them the creation of a bloc, of a rupture between East and West. 'Taking up again on new bases the pretensions of the Slavophiles of the past century to a regenerative mission in the old world, they profess that the Slav nations are to-day at the point in social progress and occupy a position to which the countries of the West will sooner or later come to join them.'³¹

If the new principles of Slavonic unity are an expression of the strategic needs of the small Slav nations west of the Soviet Union and a rationalisation of their new social orientation, they are also of course an expression of the Soviet conception of national interest. Wishing to tighten the bonds of contact with its immediate Western neighbours, it was obvious that the Soviet Union would seek to use the weapons of words and ideas so long as they could serve the purpose. 'Slavonic unity' is one of the symbols used to cover Soviet purposes in Middle Europe, just as any nation at all times has used words of principle and justice for the attainment of more concrete and material ends. The Soviet aim, at least the basic aim, was security. Security did not necessarily mean occupation and suppression. It might, given the proper circumstances, mean simply a mutually benevolent relationship based on common interest.

The new Pan-Slavic ideology is undoubtedly sincere in some of

³¹ Mousset, 'La Politique Allemande du Bloc Slave,' p. 598.

the Slav leaders. In others it represents the opportunism required by a situation over which they have no control and a method, more specifically, of rationalising their dependence on the Soviet Union. 'Thus Pan-Slavism is redeemed from its original ethnic and religious aura and becomes a revolutionary alignment. This development, in the eyes of the Slavs, presents the inestimable advantage of substituting for the old inferiority complex a feeling of pride and of ascendancy over peoples whom they formerly considered their models and teachers.'³²

Both types of advocate are undoubtedly present in Czechoslovakia, where (it has been noted) historical ties with Western Europe have made of Pan-Slavism primarily a romantic sentiment or an expression of strategic necessity. In the hands of Minister Nejedlý, vociferously Communist Minister of Labour, who spent the war years teaching in a Soviet university, Slavonic brotherhood is a call to Czechs and Slovaks to look eastward for all light and to join a revolutionary movement designed to change the face of Europe. To the more conservative, who look to the West either out of fear of too much or too rapid socialisation or out of sympathy with western political forms, it represents a dangerous tendency to disguise the submergence of Czechoslovakia in the engulfing tides of Soviet Communism. To most Czechs and to many of the Government, insofar as their intentions can be read in words and actions, Slavonic unity is an expression of strategic need and of recognition of the power of the Soviet Union to protect the country in the future. How much of opportunism and of rationalisation is associated with this view, it would be impossible to say without studying individual motivations.

On its highest (and most innocuous) level, none has expressed new Pan-Slav spirit better than President Benes, whose formulation was approved by General Gundorov, Chairman of All-Slav Committee in Moscow, as an accurate statement of the programme of the Committee.

The war which has just ended [he said, echoing and extending his remarks to the State Council in 1942] is the decisive historical opportunity for a definite stoppage of the Pan-German 'Drang nach Osten'; this war has proved that to this end a real friendly co-operation between the U.S.S.R., Czechoslovakia, Poland and Yugoslavia is necessary. If we succeed, the imperialist 'Drang

³² Moussset, 'La Politique Allemande du Bloc Slave,' p. 598

nach Osten' will be historically liquated and the whole future of all Slav states will be guaranteed, thus serving the peace of Europe and the whole world. If we do not succeed, another disaster will come, provoked in some other form by Germany. Despite all international disputes and reminiscences of the past, all Slav states must automatically retain a uniform international line even after the war—indeed, particularly after the war. That also means that after this war all international as well as internal Slav disputes must be ultimately solved on the basis of the new democratic and popular Slav community. By following this path all Slav nations and states can but enter upon a period of their common national and political liberation, secured by their common work, and begin a new period of their national life. This is in their own interest as well as in the interest of Europe in whose life, despite the base racial persecution of Hitlerism, the Slav nations shall and must have their place after this war. This new Slav spirit should be the expression of two great ideas, the fundamental programme of which expresses that which was represented by the greatest men of Slav culture—Pushkin and Turgenev, Tolstoi and Gorki, Mickiewicz and Krasinski, Kollar, Palacky and Masaryk. It is the idea of popularity in the truest sense of the word, that is, of a versatile political and social democracy, and the idea of humanity. These are the fundamentals of the true Slav programme and the true Slav policy of the future.³³

The chief manifestations of united Slav policy in the field of foreign affairs have been in statements of policy towards Germany and in activity at international conferences. If foreign policy may be divided into two parts, one concerning the basic security of a state and the other involving efforts to increase its prosperity and enrich its national life, then the first aspect of Czechoslovak foreign policy would be summed up in its policy for Germany. 'In the framework necessary to assure our security, the solution of the German problem holds first place.'³⁴ We have already noted two forms assumed by this policy: the system of defensive alliances between the Slav States and the expulsion of the German minority. Still a third aspect concerns Czechoslovak prescriptions for Germany itself, aimed not at defending itself against a new aggression, but at preventing the will and power of aggression at their source.

The outlines of the Czechoslovak prescription for Germany were summed up in the Czechoslovak brief submitted in London to the

³³ Quoted in *The Czechoslovak Weekly Bulletin*, April 14, 1946, pp. 226-27.

³⁴ Clementis, *La Politique Etrangere*, *ibid*, p. 9.

Conference of Foreign Ministers' Deputies in January 1947. For the Czechoslovak Government, the basis of the settlement of the German problem lay in the joint allied controls set forth in the Berlin Declaration of June 1945, the Potsdam Conference, and the Level-of-Industry Agreement of March 1946. In its view, discussion of the form of a German Government is of secondary importance by comparison with agreement on the aims and methods of allied control. On principle, however, it suggested that a federal Germany would be inadequate to ensure the controls necessary to prevent the rebirth of German power. On the contrary, it would feed German nationalism.

The economy of Germany should be uniform, the Czechoslovak spokesmen maintained, and it should be so ordered as to prevent the growth of a foundation for future aggression and to create the possibility of a progressive democratic Germany. The former requires disarmament, the abolition of cartels, the nationalisation of industry, agrarian reform, and a controlled currency and foreign trade policy. Trade must be limited to import necessities and should be based primarily on considerations, not of the German standard of living, but of the security of Europe and the settlement of reparations. This is a prescription of particular importance to Czechoslovakia, which is becoming even more sensitive to the conflict between the prospect of German economic competition and the desirability of increasing its trade with Germany. Germany should not be deprived of the Ruhr or the Rhineland, the Czechs maintain, but those areas should be under rigid Four-Power control. The democratisation of Germany must be based on a thorough programme of denazification and education. All the elements of German economic and political life must be under tight allied control, which means the agreed control of the Great Powers, in which all small nations interested in the German settlement should also participate. These are the aims of allied control; the form of a new German government may be settled later.

In addition to these general principles laid out in the brief, Czechoslovakia made several specific proposals. The most important was that the Munich agreement be declared null and void. It suggested certain frontier rectifications (said to be in the interest of shortening the frontiers) which would give Czechoslovakia about 800 square kilometres of land and about 25,000 new Germans, who would be exchanged for Slavs residing in Germany. It is notable that

certain parts of Silesia, to which Czechoslovakia has some historical claim, are now under the administration of Poland, whose new western frontiers Czechoslovakia supports. No claims have been put forward for these areas, a fact which has been criticised by some Czechoslovak newspapers although the question will undoubtedly be raised with Poland in the course of the territorial rectifications to be made in the next two years. The expelled Sudeten Germans should be granted Reich German citizenship, the Czechs insist, should not be discriminated against, and should not be permitted to form special parties. Reparations should be paid in services as well as materials, including transport and telecommunications rights. Priorities which Czechoslovakia enjoyed in Germany before the war, should be reaffirmed. Free zones should be granted in Bremen and Hamburg and in certain inland harbours, as well as free navigation on German rivers.

In the presentation of its position on foreign policy, Minister Clementis has become the Government's chief spokesman. His explanation of the Government's views of Germany were published in an article in January 1947. The popular formulation of the problem of Germany in the conflict between 'federalism and centralisation,' he stated, does not adequately state the problem, especially since the terms do not fully express the real differences between those who advocate them. The break-down of Great Power unanimity since the Potsdam Conference has resulted in the German problem being reduced to simply one aspect of the relations between the Great Powers. He believes moreover that the political problem of Germany cannot be separated from its own economic interests or from the economic interests of the great Powers in Germany (reparations, participation in German enterprises, etc.) Despite these broader ramifications, the Czech brief at the London Conference subordinated all aspects of the German problem to the paramount question of security. In the view of its Government, therefore, the main political question is 'to find a solution which would prevent the formation of material bases for a new German aggression and which would offer real guarantees for a re-education of the German people which would transform it from imperialist aggressiveness to peaceful co-operation.' Because this solution is equally important for all nations, there must be the widest

possible co-operation in finding and applying it. If the German problem is envisaged in terms of security from Germany, a common and permanent solution will be found.

The political form Germany takes is secondary to this objective, and should be adapted to agreement on the system and the object of Allied control. The Czechs are certain that the basis of Allied control (in which all neighbouring states should participate) should be military occupation, and that military occupation should be abandoned only when the twin objectives of re-education and the elimination of Germany's war potential are attained. Attention should be concentrated on these questions because the system and the objectives of control are in a sense 'prejudicial' questions and 'are not complicated by controversies whose points of view would be too energetically formulated.'

To Clementis and to the Czechoslovak Government, the fractionisation of Germany under a federal constitution could not solve the problem of German security, for it would only raise again the demand for the reunification of Germany, which has historically been the generating force of German nationalism and of Pan-Germanism. 'The process of evolution of German unification has gone too far to permit it to be reversible and to allow it to be carried back by a division of Germany into its various federal elements. Such an attempt would be all the more hopeless because modern economic development with its standard regulation of financial questions, transport, etc., constitute a permanent and irreducible factor of unification. . . . [The belief that federalism guarantees that German aggression will not be repeated] is only an optical illusion. . . . It is a belief which relaxes vigilance, which underestimates the importance of control.' But the idea of federalism has in it one good aspect: 'it emphasises local autonomy, which is a good school for democracy.'³⁵

It is no accident that, excepting the detailed suggestions involving Czechoslovakia, the broad outlines of the foregoing position on the German treaty were almost precisely the same as those presented at the same time by Poland and Yugoslavia. Even phraseology was frequently similar. The meeting of the Deputies of the Foreign Ministers, in which the views of the small nations were heard on the German and Austrian treaties, provided sufficient evidence of the

³⁵ Clementis, *La Politique Etrangere*, *ibid.*, pp. 11-13

unity of the small Slav states against the other small powers there represented. Czechoslovakia joined Poland and Yugoslavia in emphasising the need for unity among the Great Powers, while the British dominions again objected to a method of treaty-making which seemed to leave to them only the role of being consulted and of being rubber stamps. On the substance of the treaty with Germany, the clash between the small powers forecast the divisions which later, in March and April, were to become clearer in Moscow. Czechoslovakia joined the Poles and the Yugoslavs in defence of a centralised Germany, although in 1941 President Benes had recommended partition and even to-day Minister Masaryk can say that his government's objection to federalism 'could not be a one hundred per cent. opposition.' The three Slav nations also united in demanding a sweeping land reform and the nationalisation of industry as a precondition of effective denazification. Similarly the three nations were unanimous in approving the present eastern frontier of Germany. Finally they were together on the knotty problem of reparations. Although all the small powers (except the Union of South Africa) are at one in seeking as much reparations as possible, the Czechs, the Poles, and the Yugoslavs differed from the others in insisting that German wealth and foreign aid must go to the victims of German aggression before they are used to reconstruct Germany itself—ignoring the contention of the Dominions and the Western European countries that the full payment of reparations requires raising the economic prosperity of Germany so as to permit a surplus from which payments can be made without continuing to draw on the resources of the United States and Great Britain, from whose zones most of the reparations must come and which must pay for a large portion of the food and raw materials their zones require.³⁶

Unity on the German question was not the only evidence of Slav policy. It is a fact that in all international gatherings since the war, and particularly at the Paris Peace Conference, the Czechoslovak delegation has consistently (though not invariably) voted with the Soviet Union and its Eastern European allies. The unity of that so-called Slav bloc was, as *The Economist* pointed out, apparent whenever there was a division of opinion between the Soviet Union and the other Great Powers. It occurred even when there was unanimity

³⁶ See *The Economist*, February 8, 1947, pp. 227-8

among the Great Powers, in those instances when some nations protested 'the right of the Big Four to make decisions binding on the whole Conference and urged that greater consideration should be given to the views of the middle and the smaller powers.'³⁷ They voted together in favour of Czechoslovak recommendations regarding Hungary, and of Yugoslav prescriptions for Trieste.

The unity of the Slav states was a fact for all to observe. To most of the world's press, it was concrete evidence of the 'Slav bloc' and of the system of 'satellites' built up by the Soviet Union. To the Czechoslovak Government, on the other hand, it was a manifestation of the common interests of Eastern Europe. At the Peace Conference, Minister Clementis vigorously denied the open accusation that Czechoslovakia was a satellite. 'Collaboration between the Slav peoples,' he wrote later, summing up again the official Slav position,

derives from the fact that their existence has been menaced by the same danger, as the last war has shown in so totalitarian a manner. The Slav peoples were not only exposed, in the distant past, to the constant pressure of the Germans; but it is on their territories too that the offensive power of the Asiatic peoples developed. And, while the West was already able to devote itself to the building up of its civilisation and its economy, the Slav peoples had to struggle for their existence and their states. Their often common destiny, the affinity of their languages, as well as a great many common interests, ought to lead them to co-operation even when their hereditary enemy is defeated and they have rid themselves of regimes which used them in the service of others.

Now all of the Slav nations have come, each in its own manner—sometimes quite different—to create and build a progressive economic and social system. All their efforts are devoted to interior reconstruction, whose inexhaustible possibilities are able to attract and aid the working class. For this same reason, collaboration between the Slav peoples can never have an offensive character; but it is a contribution to the post-war world and a guarantee of lasting peace.³⁸

The same point was made by *Svobodne Noviny*, which has the reputation of being one of the more liberal and level-headed of Czechoslovak newspapers, and one which does not hide the fact that

³⁷ See *The Economist*, February 8, 1947, p. 228.

³⁸ Clementis, *La Politique Etrangere*, *ibid.*, p. 8.

'we have grown up under a western sky' or that 'the Soviet political system is in some respects alien to our national and political traditions.'

For us, the problem is limited to one single question. What must we do to guarantee the safety of our state? Whether or not we consider 'blocs' a threat or a contribution to peace, our aim must be to follow a policy which will protect our integrity. Theoretically we could afford 'splendid isolation' under the pretence of being the 'bridge' between West and East, but we would not fare well. No one would try to enlist our services; nor can we accept a policy which would tend to our falling between two stools and which would finally lead us to destruction. . . . Central Europe nowadays is the continuation of Eastern Europe, the core of which is represented by the Slavonic states. Here and nowhere else must we stand. Our urgent, our vital task is set in this political sphere and we must work towards its political unification, not to be drowned in it, but to cast into it the anchor of our safety. Having thus safeguarded the existence of our state we shall grow in power and weight and gain the respect of others. We will gain nothing by assuring the Western states of our sympathy. But because we wish to gain the sympathy of the West we have no other way forward but the one mentioned. This road may not look pleasant to many of us, it would be much easier 'to burn the candle before all Saints.' However, the safety of our State is at stake, and this is certainly for every one of us a major concern.³⁹

RELATIONS WITH THE WEST

THE Slavonic orientation of Czechoslovak foreign policy is an expression of its strategic interest: the upshot of its historic experience with Germany and the new position of the Soviet Union in Europe. In UNO, at the Peace conference, and in similar meetings, Czechoslovakia has held to the Slavonic line.

But a Slavonic policy does not necessarily mean isolation. Although party newspapers in Prague may set up straw men by attributing to other parties the desire for an exclusive political and economic orientation to the East or to the West, no responsible Government official has ever stated that an exclusive orientation is either desirable or possible. Strategic necessity as well as practical expediency may require a system of alliances with Eastern Europe; the argument might also be made, with at least a degree of validity, that the

³⁹ *Svobodné Noviny*, October 18, 1946.

economic interest of the nation also depends on strengthening trade relations with Eastern Europe. But the intellectual and political development of Czechoslovakia stem primarily from Western Europe, and its economy has much to gain from overseas countries. These are relationships which it is both impossible and undesirable to break. No Czechoslovak official has seriously suggested it.

Again it is Clementis who has effectively made the point. The new unity of Central Europe, he said, does not mean that the area wishes to isolate itself from the West. 'For the contrary is true. The raising of the standard of living and the economic stability of Central Europe will involve a redoubling of the intensity of relations with the West. I believe one can cite as a classic example of the truth of this thesis Czechoslovakia, which on the economic as well as the intellectual side not only maintains continued relations with the West, but seeks—one can say successfully—to deepen them.'⁴⁰ The interesting fact about this statement, is not only that relations with the West are based on economic and intellectual interest, but that it is a nine-line statement devoted to the West in an eleven-page article on Czechoslovak foreign policy.

Still another factor impels Czechoslovakia to maintain friendly relations with Western Europe and America. For seven years, it has consciously thought of itself as a country with the mission of bringing East and West more closely together. In part at least, this mission is an expression of expediency, for a conflict between East and West in Europe would be over the body of Czechoslovakia. But it is also an expression of the fact that Czechoslovakia, lying as it does on the borders of powers and sharing elements of the culture of both sides, is in a peculiarly favourable position to act not as a moderator, but as a testing ground for the ability of a nation in the Eastern zone of power to get along with those of the Western.

It would be difficult to maintain that Czechoslovakia has carried on independently in any matter involving issues considered of major importance by the Soviet Union. But it would be equally difficult to deny that the country has had a free hand in those secondary international organisations whose activities do not affect the security of the Soviet Union or of the Soviet zone of influence as a whole. Czechoslovakia alone of the Slav states is an active member of every

⁴⁰ Clementis, *La Politique Etrangere*, *ibid.*, pp 13-14.

economic, social and cultural organisation established or being set up under the UNO. It is, notably, a member of the Food and Agricultural Organisation, the International Monetary Fund, the European Economic Commission, the International Bank for Reconstruction, UNESCO, and the preparatory commission of the International Trade Organisation. The functions of these bodies are of great importance to Czechoslovakia, but they do not vitally affect its relations with the Soviet Union; nor do they (in the eyes of the Soviet and Czechoslovak Governments) run counter to general Slavonic policy. It would seem, in these circumstances, that self interest is the only limit to Czechoslovak participation.

The same may be said of Czechoslovakia's post-war relations with the nations of Western Europe. Cultural treaties, for the interchange of students and professors and of educational and scientific information, have been signed with France and Belgium. But far more important than this fact, is the series of trade agreements which covers every nation of Western Europe: Scandinavia, the Low Countries, France and Switzerland, most of them signed soon after the liberation and renewed when necessary since then. With all of these nations, Czechoslovakia has built up a flourishing trade.

With Great Britain, too, Czechoslovakia has maintained close relations, despite the initial bad start in 1945. That country was the first overtly to express dissatisfaction with post-war economic trends in Czechoslovakia. In November 1945, the British Embassy in Prague presented a note demanding compensation in pounds sterling for nationalised British-owned industries and pointing out that nationalisation in general endangered the economic relations between the two countries. A *furor* followed both in the press of both countries and in Parliament, where it was pointed out that the note came with ill grace from a government which was in the process of launching a similar programme. The entire matter disappeared, either as a result of the protest or of British satisfaction with Czech intentions to give adequate compensation. Meantime both government and private credits were granted. In September 1946, when the American surplus property credit was withdrawn, negotiations were under way for a British surplus property credit to Czechoslovakia. Despite the reported request of the American Government that the negotiations be dropped, the credit was granted. Trade between the two countries has grown steadily. The frequent visits of parliamentary, trade union

and other delegations bear witness to British curiosity as well as interest in Czechoslovakia. Their reports have been consistently sympathetic (though not uncritical) and are epitomised in the closing paragraphs of the report of the All-Party Parliamentary Delegation in July 1946 :

Throughout the whole land, in everything we saw, we felt the determined striving towards a new life and a new form of living. In all sincerity we offer our good wishes.

We are satisfied that all sections of the people would wish to foster friendship with Britain. On our part we would urge that complete friendship and understanding between Britain and Czechoslovakia is essential towards building the peace and goodwill that Europe needs.

In the latter half of 1946, the network of trade relations, which in the immediate post-war period was limited to Europe, was extended overseas. Trade delegations successfully visited Latin America, North Africa and the Middle East. There seemed no disinclination to trade with Czechoslovakia and no limit to the Czechoslovak desire to extend its trade. On the contrary, the limits that did exist were imposed by technical difficulties : by the need for credits, by prices, and by transport conditions.

It is notable that in no case was a political agreement involved with any country outside Eastern Europe. Not until the beginning of 1947 did a French delegation visit Prague for the purpose of negotiating a treaty whose aim would be joint defence against Germany, and which would be within the framework of the Czechoslovak-Soviet alliance. No other type of political agreement is possible to Czechoslovakia ; that country cannot make a commitment outside the system of Slavonic alliances.

This fact, of which all were aware, was evident in the Czechoslovak reaction to Winston Churchill's proposal for a United Europe. The reaction was unanimous. The proposal was rightly interpreted as an effort to exclude the Soviet Union from Europe, the outcome of which would ultimately mean the predominance of Germany. Minister Ripka, who early in the war stated that there can be no European federation without the Soviet Union, expressed the feeling of Czechoslovakia towards the Churchill proposal.

When Winston Churchill made his Fulton speech everybody was surprised that a great British war leader who did so much for the creation of the British-Soviet alliance became a few months

after the war so anti-Russian. That is the only way his speech could be understood. Even greater surprise was caused by his speech at Zurich. There he spoke in favour of a European federation, an organisation of the united states of Europe. It is true he said that everything would be in order if the U.S.S.R. joined it, but the whole speech indicated that he wants a European federation without Russian participation. It was proved by his other words: that these united states would be led by France together with Germany. It is more than strange that Churchill appears in the part of a propagator of a Franco-German collaboration. Churchill was always a supporter of a British-French co-operation because this would prevent Pan-German aggression. During the war, on the day when Russia was attacked by Germany, he spoke in favour of a British-Russian alliance and thus broke all German hopes. And suddenly he propagates a Franco-German co-operation. With France, which since the days of Bismarck was the first to fall under German aggression! . . .

That would mean to assure a safe path for German aggression. This would not be changed by the fact that there will also be France, because France's aggressive potential is smaller than that of Germany. . . .

To build a union without the participation of the U.S.S.R. would mean to create an anti-Russian union. Not a European Federation, but understanding and co-operation between the big powers and other states in the world can secure a better peace and economic and political reconstruction. Such proposals as Churchill made would mean in reality a new interventionism against the U.S.S.R.⁴¹

Despite the favourable development of Czechoslovak relations with Western Europe and countries overseas, relations with the United States have been characterised by mutual suspicion and distrust. It would not be too much to say that from liberation until the end of 1946, there was a steady deterioration.

The suspicion stems most of all from the tightening of the system of alliances between the Slav states, whose clearest manifestation has been the unanimity of Slav votes in all UNO activities. The suspicion of Czechoslovakia has been confirmed by American interpretation of the economic tendencies of the country. The control and regulation of the national economy and the nationalisation of the bulk of the country's industry have not been willingly accepted by a country still officially adhering to the principles of free enterprise. Czecho-

⁴¹ *Svobodné Slovo*, September 28, 1946

slovakia's efforts to increase its trade with Eastern Europe have enhanced the feeling that the nation wishes to exclude America from its foreign trade and to integrate its economy into that of the Soviet Union. The nationalisation of Czechoslovak industry has, moreover, created the problem of compensating foreign interests, and the slowness with which plans for compensation have been drawn up has embittered relations between Czechoslovakia and the United States. Finally—and this is a manifestation of internal political conflict in all small nations in the modern world—as the breach between Czechoslovak political parties has grown and as debate has sharpened between the wings of the nation's press, each side has sought to align itself with, and to call for the support of one or another of the Great Powers. In Czechoslovakia, this tendency, in the second half of 1946, produced a violent press campaign against the United States. The result was not only to embitter relations between the Great Powers, which saw opening before them a new area of conflict, but also to instil in them the idea that by moral pressure or by direct intervention they could swing the small nation in their own direction.

The clear evidence of the breadth of Czechoslovak trade relations, and the continuously expressed interest of Czechoslovakia in trade with America have been overshadowed by the facts that Czechoslovakia acts with the Slav states and that it has denied the universal validity of free enterprise and has deliberately departed from its folkways. Where free enterprise is accepted as the sole test of friendship, or where departure from the principles of free enterprise is accepted as evidence of willingness to trade only with socialist or socialising Eastern European countries, Czechoslovakia is not a friendly country.

At the Peace Conference in Paris feelings on both sides were aggravated by Czechoslovak acquiescence in the Soviet view of the political motivation of American loan policy⁴² and by the American refusal to support Czechoslovakia in its proposals regarding the Hungarian treaty. The upshot, the American withdrawal of its surplus property credit, the cessation of negotiations for a trade

⁴² Even the National Socialist *Svobodné Slovo* wrote, on October 4 'We are afraid that the present policy of the United States is more influenced by an endeavour to force its will upon the world than by the principles of the Charter'

agreement and the subsequent declaration of commercial policy have already been noted.

None were more aware than the Czechs that their difficulties with America were less a sign of American displeasure with Czechoslovakia than a reflection of the deterioration of Soviet-American relations. While unity existed between those two countries, there would be no 'blocs' nor any objections to orientation one way or another. Until the end of the war, the alliance between Czechoslovakia and the Soviet Union (and the inclusion of Czechoslovakia in the Soviet zone of influence) had been approved in America. The Treaty of 1943 had been accepted in principle in the summer of that year and received the approval of the Secretary of State at the Moscow Conference, a month before its signature. The conference at Teheran and Yalta apparently recognised Czechoslovakia as part of the Soviet defence system. These events may, in the Spring of 1945, have been known only to Czechoslovak Government officials, but the entire population could read the significance of General Patton's stopping just east of Pilsen and the refusal of the American Army to march into Prague, which would have been more quickly taken by it than by the Red Army. 'No more conclusive proof was needed that henceforward Czechoslovakia was to adapt its policy to Russia rather than to the West. This was obviously the agreed decision of the Allies.'⁴³ But 1946 was a new year; the Grand Alliance was broken.

None could pray more fervently than the Czechs, who were caught in the middle, for the renewal of Great Power unity. Certainly none repeated more frequently than they the need for accommodation and adjustment between the United States and the Soviet Union. In doing so, they implicitly recognised what they explicitly denied: that the world was dividing into two camps. And in recognising that fact, they also admitted the existence of a Slavonic bloc, however much they might rationalise it into an innocuous community of political interests.

⁴³ 'Czechoslovakia Revisited,' *The World To-day*, January 1947, p. 12.

CHAPTER 11

PROSPECT

THE re-establishment of normal diets, the rapid approach of industrial production to pre-war levels, the recovery of foreign trade, and the revival of morale do not mean that Czechoslovakia is returning to its pre-war economic pattern. On the contrary, recovery has been accompanied, and in many instances determined by basic changes in economic structure and in economic thinking. Some of these changes were the direct outcome of the war; others were the result of deliberate compromise and decision. They may be summed up in the following facts:

1. Czechoslovakia has become an exclusively Slav State. The industrial preponderance of the borderlands and the economic weight of Bohemia have declined. Slovakia has grown in economic importance and has become the field of a large-scale industrialisation programme. Thus the economic geography of the country has been radically changed and is destined to change still more.
2. The population of Czechoslovakia has fallen. Not only has the domestic market fallen in volume; its geographical distribution has shifted to the East.
3. The individual small-farm basis of agriculture has been strengthened by the partition and distribution of large holdings and of German property. The day of the great estates is gone.
4. The economic disadvantages of small holdings are being overcome on the one hand by the encouragement of co-operatives and on the other by Government aid in the mechanisation of agricultural work.
5. While individual farming and co-operatives are the forms being taken by land ownership, public ownership has become the dominant form in industry and finance. Private enterprise,

once the general ruling in Czechoslovakia, has been severely limited in scope by the nationalisation of all financial institutions, all basic industries, and all large-scale industrial enterprises. A revolution has been accomplished in the true sense of the term: ownership has shifted from one group to another, from a small group of individuals to the nation. At the same time a large volume of foreign and traitorous capital has been repatriated.

6. While the remnants of private enterprise continue to have constitutional guarantees and even political protection its weight in the Czechoslovak economy continues to decline as a result of extensive governmental regulation and of continuing encroachment on its remaining domain.
7. The nationalised sector of the Czechoslovak economy has been submitted to central Government planning. To a lesser extent private industry has also become a part of a single economic plan by means of the instruments of control at the disposal of the Government.
8. The labour movement has become the most powerful non-political pressure group in the country, and has been able to attain for labour a potent role in economic and political administration.
9. In the midst of these changes, the Government has undertaken a social reform programme designed to give economic protection to the farmer and the urban worker and to assure those classes of the population their fair share of the national income.

The general meaning of most of these economic developments is that Czechoslovakia has renounced the principles of private enterprise and has set off unmistakably on the path to socialism. Although part of the support for this programme comes from Marxists, the Czechoslovak Government has not been doctrinaire in its approach to socialism. The tradition of the country and the continuing presence of non-socialist parties have made compromise essential. In its origin the new social and economic policy of the Government was an eclectic compromise reached after consideration of the political geography of Europe, the social situation at home, and the nature of economic and technological development, all in the light of national traditions and after mutual consultation between the underground at home and the groups in exile in London and in Moscow. While

the policy of the Government has gone far beyond the plans laid out in the Kosice Programme, it continues to be a compromise. At times it has seemed that the Government was certain only of its general direction, but was unsure and even groping in its efforts to reconcile conflicting interests, political demands, and prescriptions for prosperity.

Not doctrine, but the physical impact of the war and the lessons learned from its origins were the determining factors in the major decisions of the Government. Long before the end of the war, Czechoslovak leaders of the parties and groups, that is, which did not collaborate—realised certain essential facts about post-war Europe, which no amount of wishful thinking or of denial can invalidate. It is impossible to understand either Central Europe or Czechoslovak policy since the war without appreciating these facts. The first and most essential is the new position of the Soviet Union in Europe. The second is that the Second World War was the outgrowth of a crisis in capitalism. The third is that in every European country the war was a civil war as well as a war of national aggression or of national defence, and that therefore the defeat of Germany involved also the emergence of progressive forces which would prevent by open civil war or by terror (if necessary) a return to the pre-war status quo. The fourth is that Europe's basic problems of making food available, of rebuilding capital and of restoring production were not to be solved by providing incentives to private capital but by providing new social incentives, by broadening the base of participation in Government and in economic management, and by assuring that both the sacrifices necessary for new capital investment and the benefits of production would be fairly distributed. These were the lessons to be read from history, from Munich, and from the progress of the war, and they became the basis of the political and economic policy of the liberated Republic. 'In the irony of history,' wrote Edgar Snow, 'it has turned out that Nazism was thus the instrument which, setting out to overthrow Communism, succeeded in destroying the structure of laissez-faire capitalism throughout Europe. And in its crash Nazism is taking down with it the remnants of economic and social feudalism which inevitably harnessed themselves to Hitler.'¹

¹ *The Pattern of Soviet Power*, p. 72.

There are many in Czechoslovakia to-day who see the problem of socialisation as one of setting a definite limit to Government activity, of saying that such is the border between public and private economic activity and that neither must trespass on the jurisdiction of the other. Others agree that this may be the problem in the very short-run, but that for any longer period a dynamic view of the trends of economic and social development is necessary. These people see socialism as the apparently inevitable goal of the trends of the past 100 years, and consider statesmanship as the quality which recognises the trend and directs opposing social tendencies in such a way as to go with rather than to oppose them. However inevitable the trend, its course is subject to diversions and human will; and will must be subject to compromise if the goal is to be attained with a minimum of conflict.

These thoughts have best been expressed by President Benes. While economic policy and events in post-war Czechoslovakia have to a large extent been the upshot of political give and take, Benes has sought to systematise them and give them meaning in the trends of history.

The meaning of Czechoslovakia's recent economic revolution and its place in the long-term trends of modern history, were the subject of an address delivered by the President in December 1945 before the Faculty of Law at the Charles University. The romantic individualism and liberal democracy of the nineteenth century, Benes said, brought the world to a crisis in the past generation. Liberalism as we knew it had produced a society which was bringing about its own destruction: politically, it was characterised by quarrelling parties which were not concerned with the welfare of their countries; economically, by capitalism which sharpened class warfare; socially, by the growing conflict between those who held feudal ideas of aristocracy and elites and those with equalitarian ideas; culturally and artistically, by a confusion of ideas and by neither literary nor artistic style. This, in short, was 'a sick and uncertain society, looking for something new and not being able to find it.' The ultimate products of that chaotic society were Fascism and the Second World War.

Early in 1942, Benes went on, he had formulated for himself the three categories of problems that would confront the world that survived the war, and Czechoslovakia in particular. First, the destruction of the heritage of Fascism in the cultural and economic,

as well as in the political and military fields, and the restoration of the spiritual and moral values of democracy. Second, the new political organisation of Europe and of the world. Third, the evolution of a 'new post-war democracy,' for the Second World War was an 'internal revolution' as well as a struggle against an aggressor. 'Pre-war democracy proved to have many deficiencies and in many countries it helped to a great extent to bring about the advent of totalitarian dictatorships. It will have to be reformed and fully regenerated. After this war political democracy will have to develop and regenerate systematically and consistently into a so-called social and economic democracy.' This third problem, Benes believed, is the most important of the three and is the 'only remedy against the sick world and sick man of the end of the nineteenth century.'

An alternative to the 'liberal, capitalistic and imperialistic state' of the nineteenth century was formed out of the doctrine of Marx and elaborated by Lenin. Versed as these men were in the antitheses of dialectical materialism, Benes said, they jumped from an extreme individualism to an extreme collectivism. It is in the spirit of such thought and action, that the creation of new social institutions and laws is criticised and feared.

Benes has no such fear, for he believes that a mature state, and an industrialised one, can bring about the necessary change from one economic and social system to another without violence, without, that is, jumping to a dialectical antithesis. Even the 'Soviet Union and the Russian Communists,' he said, 'acknowledge to-day that the procedure for the transformation of a liberal democracy in its higher degree—in a socialising democracy—should and can to-day come about gradually, step by step, by means of reasonable evolution in accordance with the natural economic, social, geographical, ethical, and juridical conditions of the national societies concerned.' Continuity with the regime of the past is essential.

The question to be decided by statesmanship and practical politics is this; How great is the change to be to-day, and how rapidly is it to proceed to-morrow? Political judgment must decide what can and what cannot be borne by the new society and what power should be left to the institutions and juridical concepts of the past.

It is in the spirit of that statement of philosophy, Benes said, that Czechoslovakia has opened the gates to a change in the social and economic structure of its life. Czechoslovakia has not leaped from

bourgeois democracy to socialism; it has become a 'socialising democracy.'

The post-war economic changes in Czechoslovakia—some of them revolutionary in their scope, but none of them an entirely new departure in Czechoslovak history—have occurred with a minimum of political friction. It seems to have been generally understood that the rebuilding of capital and the recovery of production were the national needs, rather than a revival of the conflict of ideologies which paved the way to the Second World War. For these objectives, all political parties were willing to work together. Czechoslovakia has a Communist Party which accepts joint power with non-Communist parties; its second marxist party, the Social Democrats, works with non-socialists. The other Czech parties, non-Communist but not anti-Communist, are equally willing to co-operate with the Communist Party. The Slovak Democratic Party alone contains elements of irreconcilable opposition to the Communists, with the result that it is the weakest link in the National Front. There are no definitely anti-Communist parties; these were all liquidated as a result of their pre-war and wartime activities. This collaboration of Communists, socialists and liberals in a National Front Government has been a condition of post-war progress. Mutual accommodation and compromise, within the framework of national tradition, have made that progress seem at times a reconciliation of the English tradition of 'liberal democracy' and the French tradition of 'social democracy' which have been in continuing conflict in Europe since 1848.

To a great extent political collaboration was made possible by the fact that Czechoslovakia made its peace with the Soviet Union in 1943, and accepted (both from mutual interest and from a realistic consideration of the new balance of power on the continent) the role of a small nation on the strategic frontier of a Great Power. Czechoslovakia has lost its independence in foreign policy in all matters affecting its own or the Soviet Union's strategic interests. To many, this has been considered a high price to pay even for prosperity and domestic freedom. It may be doubted, however, that any other role is possible in the twentieth century to a State of only 12 millions which lies in a strategic position in Central Europe on the borders of one of the world's two greatest military powers.

The chief characteristic of Czechoslovak security policy has been

its participation in a series of alliances with the other Slavonic states—the Soviet Union, Poland, and Yugoslavia—and the unified action of that group of states in the activities of UNO and in the preparation of the peace treaties. The nuclear alliance of the Slav world, founded on considerations of security, has been rationalised into a new type of Pan-Slavism based not on racial considerations, but on similar socialist ideologies. Unity has also appeared in economic form in the growing economic integration of Eastern Europe. In this case Czechoslovakia's activity has been based less on ideological considerations and on Slavonic sentiment (though both were present) than on its own position as a highly industrialised country producing large surpluses of both capital and consumers' goods in the midst of a relatively backward group of nations all of which have been heavily devastated by war and all of which, under systems of regulated economy, have launched extensive programmes for industrialisation and for the mechanisation of agriculture.

Despite the emergent pattern of Czechoslovakia's political and economic relations with Central and Eastern Europe, and despite the misunderstandings, criticisms and outright accusations which that Eastward orientation has brought forth from those who interpret events in the post-war world in terms of the irreconcilable conflict of Slav and non-Slav peoples, the fact is that Czechoslovakia has resumed the intimate cultural and commercial relations which before the war associated it so closely with Western Europe and countries overseas. In matters which do not affect security, but are important in the enrichment of the cultural and economic life of the country, Czechoslovakia has operated independently. Its historic ties with the Anglo-Roman world and the nature of its economy are facts which neither the rebirth of Pan-Slavism nor the memory of Munich can wipe out. Few responsible officials have suggested that they can or should.

In brief [wrote Albert Mousset] of all the liberated Slavonic nations, Czechoslovakia was the one that marked out most plainly the outlines of its independence in the new Europe. It accepted neither 'synchronisation' nor infeudation. Without denying its Slavonic affinities, or its traditional attachment to Russia, it replaced its relations with the West on the same footing on which they were in 1938.

A middle state, Czechoslovakia makes its way between the Russian world and the Anglo-Roman world; nearer the former by

its reactions to problems of security; nearer the latter by its spiritual anxieties, its philosophy of life, and its conception of progress.²

The increase of Czechoslovak prosperity, the continuance of domestic political co-operation, and the ability to pursue its Westward connections while maintaining its Eastward alliances, do not of course rest solely with Czechoslovak will. They depend in large part on the general peace. The 'fate of social peace in every European country hangs upon the decisions and policies of the Big Three.'³ The revival of suspicions and the sharpening of conflicts between the Great Powers would have serious repercussions for Czechoslovakia both in its international relations and in its domestic affairs. The year 1946 brought evidence in both fields. Czechoslovakia felt the impact of American hostility as a reflection more of the great debate between America and the Soviet Union, than of its own sins. At the same time, the post-war ideological struggle in the world at large began to be reflected at home in the growing hostility of political parties towards each other and in the resultant weakening of the ties of the National Front. Communists, socialists and liberals can work together for the prosperity and order of Czechoslovakia only if their counterparts among the nations can work together for the peace and prosperity of the world. The metaphor of the 'bridge' between cultures, which as applied to Czechoslovakia has become more a fashionable cliché than a statement of reality, is accurate if for no other reason than that, in times of open conflict, bridges are one of the first of military objectives.

Czechoslovakia still has serious domestic problems to solve. It has nationalised its industry, but it has not yet proven that these industries can operate economically and without political influence. It has strengthened its peasantry, but it has not yet resolved the historic conflict between small farmers seeking higher prices and urban workers seeking cheaper goods. It has not yet liquidated the financial heritage of the occupation, or rebuilt the capital destroyed by the war, or rationalised its economy so that it can produce and distribute more goods more cheaply to more people. It has begun central economic planning, but it has not yet shown that such planning is possible in an economy half free and half public-owned, and

² *Le Monde Slave*, pp. 258-9

³ Ward, 'Europe Debates Nationalisation,' p. 58.

in times of plenty as well as in times of scarcity. Slovakia and the Czech Lands have been reunited, but the historic anachronisms, contrasts, and hostilities, economic, social and political, still exist. The popular basis of Government and public administration has been broadened, but has not yet been shown more effective or efficient.

In the first eighteen months after the war, Czechoslovakia set out to solve these many problems. Their final solution requires time and an atmosphere of tranquillity. None knew this better than the Czechs themselves. They also know that if they can continue the development begun in May 1945 in the spirit in which it was begun, the result might be a useful compromise of the great issues at stake in the world to-day. Not necessarily a compromise applicable to other countries, where different historical and physical conditions make other solutions necessary; but a compromise which would solve Czechoslovakia's own problems and show effectively that the ideological issues which now loom so large can—in the proper atmosphere—be resolved peacefully and fruitfully. The socialist challenge to individualism and the reverse liberal challenge to socialism, which since 1848 have grown ever more impelling, need not be trials by combat. In the twentieth century they must not be trial by combat.

In Europe, which has both liberal and socialist traditions and which needs elements of both to solve its present moral and physical crisis, there is hope of accommodating the two and of working out the necessary compromise. Yet the ideological conflict is drawn primarily between Russia, which only now after 300 years of effort has become a European power, and the United States which is even more foreign to European traditions and problems and even newer to the European scene. Both have shared the ideas and social currents which Europe, the generator of ideas, has sent forth into the world, and both have adapted them to their own needs and circumstances. It is ironic that those ideas now return, changed by their experiences in the environments of America and the Soviet Union and backed by unprecedented military power wielded by self-conscious and aggressive governments, to do battle on the soil of the Europe which gave them birth but to which they are no longer applicable either in their original forms or in the Soviet and American forms which they have assumed.

The issue of this conflict—in which there can be no victory, but only compromise or annihilation—will depend on the relative power

of the two great competitors. But not on that alone. It will depend also on the many people and peoples to whom a choice between Adam Smith and Karl Marx is as meaningless as a choice between the forms of government which are being offered them by special pleaders, but who will adopt the kind of government and economic system which by experience proves itself capable of solving their economic problems, of providing a more abundant life, of assuring personal security, and of giving to all an equal opportunity to develop and express their individual talents and aptitudes and thereby to attain the dignity becoming a human being. These, rather than wars of words, are the concern of the masses of mankind. These are the tests which men and women everywhere will apply in judging the systems and ideologies which by fair means or foul are being offered to or forced upon them. The solutions will be different in different environments. Only in the most economically poverty-stricken and socially primitive areas, where two classes poles apart face each other without a politically powerful middle-class, can the answer be a proletarian revolution. Only in the most advanced societies, educated, equalitarian, industrial and able to satisfy man's physical needs, can the answer be found in individual freedom and liberty. The world that lies somewhere between, must find a solution somewhere between; but the solution can be found only by experience and in time. The tragedy is that the solution must be worked out in the shadow of the two colossi that bestride this now narrow world, whose co-operation can alone assure the stability the world needs and who can contribute so much to make that stability fruitful, but whose mutual suspicion and hostility threaten to bring the world to the ruin which human ingenuity has made possible.

APPENDICES

RETURNS OF THE GENERAL ELECTION OF MAY, 1946

	<i>Bohemia</i>	<i>Moravia-Silesia</i>	<i>Slovakia</i>	<i>Total</i>
Communist Parties ..	1,541,852	663,845	489,596	2,695,293
People's Party ..	850,004	531,005	—	1,111,009
Social Democratic Party ..	533,029	322,509	—	855,538
National Socialist Party ..	898,425	400,555	—	1,289,980
Labour Party ..	—	—	50,079	50,079
Democratic Party ..	—	—	999,622	999,622
Freedom Party ..	—	—	60,195	60,195
Blank votes ..	10,969	8,484	12,724	32,177
Total votes cast ..	3,564,279	1,926,398	1,612,216	7,102,893

	<i>% of total in Czech Lands</i>			<i>% of total in</i>	<i>% of total in</i>
	<i>Bohemia</i>	<i>Moravia</i>	<i>Total</i>	<i>Slovakia</i>	<i>Czech Republic</i>
Communist Parties ..	43.26	34.46	40.17	30.37	37.94
People's Party ..	16.27	27.57	20.24	—	15.64
Social Democratic Party ..	14.95	16.74	15.58	—	12.05
National Socialist Party ..	25.21	20.79	23.66	—	18.29
Labour Party ..	—	—	—	3.11	0.70
Democratic Party ..	—	—	—	62.00	14.08
Freedom Party ..	—	—	—	3.73	0.85
Blank votes ..	0.31	0.44	0.35	0.79	0.45
Total ..	100.00	100.00	100.00	100.00	100.00

Coal, Coke, Electric Power, Iron and Steel Production since Liberation (as percentage of the monthly average of 1937)

	<i>Black Coal</i>	<i>Lignite</i>	<i>Coke</i>	<i>Electricity</i>	<i>Pig Iron</i>	<i>Steel</i>
May, 1945 ..	17	34	26	n.a.	10	4
June ..	37	51	32	n.a.	20	17
July ..	45	58	39	n.a.	27	22
August ..	51	72	40	96	30	31
September ..	59	78	44	110	30	31
October ..	71	91	51	118	34	42
November ..	76	98	45	129	34	43
December ..	77	99	50	127	34	41
January 1946 ..	88	113	50	132	40	53
February ..	82	109	47	124	44	58
March ..	88	118	60	134	52	73
April ..	72	107	65	127	53	74
May ..	82	104	70	125	58	77
June ..	74	100	67	124	56	76
July ..	86	108	70	121	57	66
August ..	88	111	74	134	59	71
September ..	82	109	77	135	64	79
October ..	82	107	80	154	64	81
November ..	91	115	82	162	69	88
December ..	84	105	82	157	70	76

n.a. = not available.

Source: *Statistický Zpravodaj*, December 1946, p. 411, and April 1947, p. 165.

Index of Wholesale Prices and Cost of Living

(March, 1939 = 100)

Wholesale Prices					Cost of Living in Prague	
	Foodstuffs & Finished Goods	Rare Materials	Total	Labourer	White-Collar Worker	
1939	110.3	108.6	109.5	104.0	103.9	
1941	152.5	131.8	142.3	149.1	142.0	
1943	160.0	134.7	147.3	160.0	151.9	
1945, January ..	162.1	134.1	148.0	162.1	151.9	
July	167.3	133.9	150.4	168.3	155.3	
December ..	175.2	234.1	201.2	208.2	186.7	
1946, January ..	267.2	266.6	266.9	306.7	276.5	
April	273.8	273.3	273.6	311.2	283.4	
July	279.0	281.3	280.1	307.3	282.0	
October	285.3	300.6	292.5	306.3	285.0	
1947, January ..	294.7	308.4	301.1	310.3	290.3	
Change from— to January 1, 1947, in per cent :						
December, 1945 ..	+ 68.2	+ 31.8	+ 49.7	+ 48.9	+ 60.9	
January, 1946 ..	+ 10.3	+ 15.7	+ 12.9	+ 1.2	+ 4.9	

Note : Index as of first day of month ; 1939-43, month of July ; 1939-45, only Bohemia and Moravia.

Source : *Statistický Zpravodaj*, March, 1947, p. 123.

Status of Industrial Enterprise in Czechoslovakia

(in terms of percentage of total employment on November 1, 1946)

	Czech Lands					Slovakia
	Nation- alised	Co-oper- ative	State and National Commune Adminis- tration	Private	Nation- alised	
I. Industries turning out primarily producer's goods :						
Mining	100.0	—	—	—	—	100.0
Metallurgy ..	99.2	—	—	0.8	—	81.5
Metal-working ..	72.2	0.2	0.3	15.2	12.1	81.5
Chemicals	73.9	0.3	—	7.6	18.2	84.0
Stone & ceramics ..	10.2	0.5	3.5	10.8	25.0	52.7
Paper	49.8	0.4	—	31.3	18.5	94.7
Power	99.7	0.3	—	—	—	96.0
Total	78.8	0.2	0.4	10.3	10.3	83.1
of which, Interior	79.5	0.3	0.5	5.6	14.1	—
Borderlands ..	77.5	0.0	0.1	19.8	2.6	—
II. Industries turning out primarily consumer's goods :						
Textiles	49.6	0.4	—	9.3	40.7	71.3
Clothing	27.6	1.2	—	16.5	54.7	37.1
Skins & leather ..	60.2	0.3	—	13.7	25.8	64.7
Wood	20.8	3.3	4.6	23.1	48.2	26.6
Glass	67.2	0.4	—	21.2	11.2	81.8
Total	43.3	1.0	0.9	14.3	39.5	52.9
of which, Interior	43.5	1.0	1.1	3.9	50.5	—
Borderlands ..	45.2	1.1	0.6	27.8	25.3	—
III. Food processing industries :						
Sugar refining ..	67.9	30.9	1.2	—	—	100.0
Distilleries	26.9	20.9	0.0	3.0	49.2	7.4
Beer & malt	27.7	0.0	10.0	23.1	39.2	0.0
Milling	14.0	16.0	—	18.0	52.0	11.1

Status of Industrial Enterprise in Czechoslovakia—continued

		Czech Lands				Slovakia	
		Nation- alised	Co-oper- ative	State and Commune	National Adminis- tration	Private	Nation- alised
Other food	..	16.1	23.2	5.2	11.5	44.0	25.3
Total	..	27.4	20.7	4.5	10.8	36.6	28.6
of which, Interior		28.4	21.2	4.9	1.9	43.6	—
Borderlands	..	23.6	19.1	3.0	43.7	10.6	—
IV. Industries not directly affected by nationalisation :							
Building	..	10.4	0.9	—	8.7	80.0	18.8
Printing	..	2.3	4.2	0.9	22.2	70.4	6.5
Waterworks	..	0.0	—	100.0	—	—	100.0
Total	..	7.0	2.0	4.9	13.2	72.9	18.9
of which, Interior		7.8	2.3	4.1	2.3	83.5	—
Borderlands	..	2.4	—	9.5	79.8	8.3	—
V. Total industry :							
Interior	..	60.1	2.9	1.4	4.5	31.1	—
Borderlands	..	61.1	1.5	0.7	25.4	11.3	—
Total	..	60.4	2.4	1.2	11.6	24.4	57.7

Source : *Statistický Zpravodaj*, March, 1947, pp. 94-6.*Status of Industrial Enterprise in the Czech Lands.*

		% of Units	% of Employees
I. Nationalised enterprises .			
1. Producer's industries	..	30.5	78.8
2. Consumer's industries	..	10.3	43.3
3. Food industries	..	9.6	27.4
4. Industries not specifically affected by nationalisation		3.1	7.0
Total	..	16.5	60.4
II. Co-operatives and state and commune-owned :			
Total	..	8.1	3.6
III. Under National Administration :			
1. Producer's industries	..	28.2	10.3
2. Consumer's industries	..	22.2	14.3
3. Food industries	..	12.3	10.8
4. Industries not specifically affected by nationalisation		18.7	13.2
Total	..	22.4	11.6
IV. Private enterprise :			
1. Producer's industries	..	38.6	10.3
2. Consumer's industries	..	63.9	39.5
3. Food industries	..	48.5	36.6
4. Industries not specifically affected by nationalisation		67.0	72.9
Total	..	53.0	24.4

Source : *Statistický Zpravodaj*, March, 1947, pp. 96-7.

Foreign Trade of Czechoslovakia, by Source and Destination
(in percentage of total value)

			<i>Imports</i>			<i>Exports</i>		
		1937	1946	Change	1937	1946	Change	
Soviet Union .. ..	..	1.1	9.6	+ 8.5	0.8	12.0	+ 11.2	
Bulgaria .. ..	..	1.0	3.8	+ 2.8	1.0	2.2	+ 1.2	
Yugoslavia .. ..	..	3.7	6.4	+ 2.7	5.0	2.6	- 2.4	
Hungary .. ..	..	1.5	5.7	+ 4.2	1.9	2.7	+ 0.8	
Poland .. ..	..	2.5	0.3	- 2.2	2.6	0.9	- 1.7	
Rumania .. ..	..	4.8	1.8	- 3.0	5.4	1.5	- 3.9	
Total, East Europe		14.6	27.6	+ 13.0	16.7	21.9	+ 5.2	
Denmark .. ..	..	0.5	3.1	+ 2.6	0.6	3.9	+ 3.3	
Sweden .. ..	..	3.8	8.9	+ 5.1	3.4	8.0	+ 4.6	
Norway .. ..	..	1.2	2.1	+ 0.9	4.2	4.5	+ 0.3	
Total, Scandinavia ..		5.5	14.1	+ 8.6	8.2	16.4	+ 8.2	
Belgium .. ..	..	2.9	3.5	+ 0.6	2.1	4.9	+ 2.8	
Netherlands .. ..	..	3.8	4.8	+ 1.0	4.2	5.4	+ 1.2	
Total, Low Countries		6.7	8.3	+ 1.6	6.3	10.3	+ 4.0	
Switzerland .. ..	..	3.3	10.6	+ 7.3	3.8	14.7	+ 10.9	
Austria .. ..	..	4.2	3.9	- 0.3	7.3	4.5	- 2.8	
Germany .. ..	..	17.3	4.1	- 13.2	15.0	7.0	- 8.0	
France .. ..	..	5.3	3.1	- 2.2	3.8	2.7	- 1.1	
United States .. ..	..	8.7	8.3	- 0.4	9.3	7.5	- 1.8	
United Kingdom ..	..	6.3	8.9	+ 2.6	8.7	2.9	- 5.8	
Egypt .. ..	..	2.0	1.1	- 0.9	0.9	0.5	- 0.4	
Canada .. ..	..	0.4	1.2	+ 0.8	0.6	0.5	- 0.1	
Argentina .. ..	..	2.1	1.4	- 0.7	1.6	0.7	- 0.9	
Italy .. ..	..	2.4	2.2	- 0.2	3.4	1.8	- 1.6	
India .. ..	..	4.3	0.3	- 4.0	1.3	0.5	- 0.8	

Source: *Statistický Zpravodaj*, March, 1947, p. 120; *Zahranicni Obchod, Predbezne Vysledky*, 1946, No. 12, January 31, 1947.

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A STUDY of the economy and politics of post-war Czechoslovakia must inevitably be based largely on materials published by the Government Ministries and on the public press. For obvious reasons, both sources of information must be carefully watched and taken with the proverbial grain of salt. Official data frequently tend to support the objectives and wishes of the Government at a particular moment, less by the distortion than by the selection of facts. The result is occasional glaring gaps in available information. The newspapers are invariably expressions of political points of view. News, as well as editorial matter, reflects the political complexion of the party or the organisation under whose auspices the newspaper is published. Both distortion and selection are common. The upshot is that the press is far more useful as a source of information concerning partisan opinion on particular issues than as a source of political and economic facts. Despite these difficulties, both these sources must be heavily relied on.

The author has had the advantage of living and working in Czechoslovakia during most of the period under discussion in this volume. From September 1945 to September 1946 and during a brief visit in early 1947, he had the opportunity not only to live among the Czechs and to know many Czechs and Slovaks, but to work and to have frequent and intimate discussions with Government officials and businessmen, members of all parties, Czechs and Slovaks, newspapermen and students. Many of these people were reliable sources of information. In all cases they were invaluable in helping a foreigner to understand the ways of their country and to draw meaning and significance from the statements of Government and parties. They frequently provided means of checking official statements and newspaper reports and opinions.

Each of the Ministries and Departments of the Czechoslovak Government has its own publication, all of which contain important data for the student of post-war Czechoslovakia. The most reliable and

comprehensive and the ones most frequently mentioned in this volume, are the publications of the State Statistical Office. The most useful are the following periodical reports and journals: *Statistický Zpravodaj* (statistical bulletin); *Statistický Obzor* (professional statistical review); *Prumyslova Statistika* (industrial statistics); *Prumyslove Zpravy* (industrial reports); *Socialni Statistika* (social statistics); *Cenove Zpravy* (price reports); *Statistical Bulletin of Czechoslovakia*; *Zahranicni Obchod Predbezne Vysledky* (preliminary foreign trade returns); *Mesicni Prehled Zahranicniho Obchodu* (monthly summary of foreign trade).

The Ministry of Information naturally produces a great variety of reports, press releases, and periodicals, in English, French, and Russian as well as in Czech. Although this Ministry is the most prolific, the use of its material requires the greatest caution. It is most useful as a source of translations from the daily press and of the complete texts of the more important papers, addresses, and statements of the Government and of Government officials. Attention is particularly invited to the *Czechoslovak News Bulletin*, the *Czechoslovak Weekly Bulletin*, *Czechoslovakia* (a quarterly journal), and the *Bulletin of the Ministry of Information, First Department*.

From and in addition to the foregoing, the following documents published by the Ministry have been particularly useful in this volume: *Czechoslovakia*, Vol. II, No. 1, January 1947 (devoted entirely to the Two-Year Plan); *The World Crisis, Continuity of Law and New Revolutionary Law*, an address delivered by President Benes at the Faculty of Law, Charles University, December 15, 1945; *Statement of Policy of Mr. Gottwald's Government*, Orbis, Prague, 1946; *Prvni Ceskoslovensky Plan*, Orbis, Prague, 1946 (an explanation and documentation of the Two-Year Plan); *Programme of the Czechoslovak Government and of the National Front of Czechs and Slovaks, Agreed to at the First Government Meeting in Kosice on April 5, 1945*; *The New Czech Land Reform. The Decree of the President of the Republic*; *The Elections in Czechoslovakia, 1945. The Decree of the President of the Republic*; *Organisation and Structure of the United Revolutionary Trade Unions Movement in Czechoslovakia*; *Nationalisation in Czechoslovakia. The Decree of the President of the Republic*.

The Ministry of Foreign Trade publishes a useful weekly survey of economic affairs, the *Czechoslovak Economic Bulletin*, and an

official review of foreign trade, *Zahranicni Obchod*. The official journal of the Ministry of Industry, *Ceskoslovensky Prumysl*, is helpful not only because of its expressions of opinion, but also because of the industrial statistics it publishes. These are supplemented by the periodical of the Federation of Czechoslovak Industries, *Prumyslový Vestník*.

Of particular importance in connection with the Two-Year Plan is a bulky volume published in 1946 by the State Planning Office, which gives the background of Czechoslovak economic planning and considerable statistical data on the national economy not elsewhere available, *Sborník o Vystavbě CSR, Namety a Zasadní Poznámky k Celkovému Hospodarskému Planu CSR*, Orbis, Prague, 1946 (economic planning in Czechoslovakia).

This is by no means a full list of Government publications, but simply a list of the more important. Others, generally periodicals like most of these, are readily available at the various Ministries and in the bookshops.

Among the more important dailies and weeklies are: *Hospodář* (Orbis); *Svobodné Noviny* and *Dnesek* (Association of Cultural Organisations); *Rude Pravo* (Communist Party); *Pravo Lidu* and *Cil* (Social Democratic Party); *Svobodné Slovo* (National Socialist Party); *Lidová Demokracie* and *Obzory* (Catholic People's Party); *Cas* (Slovak Democratic Party); *Mlada Fronta* (Union of Czech Youth).

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